

**HO TAI MOTOR COMPANY LIMITED
AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REVIEW REPORT
SEPTEMBER 30, 2021 AND 2020**

For the convenience of readers and for information purposes only, the report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English and the Chinese version or any differences in interpretation between the two versions, the original Chinese version shall prevail.

HO TAI MOTOR CO., LTD. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REVIEW REPORT
SEPTEMBER 30, 2021 AND 2020
CONTENTS

Items	Page
1. Cover	1
2. Contents	2
3. Independent auditors' review report	3~4
4. Consolidated balance sheets	5~6
5. Consolidated statements of comprehensive income	7~8
6. Consolidated statements of changes in equity	9
7. Consolidated statements of cash flows	10~11
8. Notes to the consolidated financial statements	12~131
(1) History and organization	12
(2) The date of authorization for issuance of the financial statements and procedures for authorization	12
(3) Application of new standards, amendments and interpretations	12~14
(4) Summary of significant accounting policies	14~38
(5) Critical accounting judgements, estimates and key sources of assumption uncertainty	38~39
(6) Details of significant accounts	39~76
(7) Related party transactions	76~87
(8) Pledged assets	87
(9) Significant contingent liabilities and unrecognized contract commitments	87~88
(10) Significant disaster loss	88
(11) Significant events after the balance sheet date	88
(12) Others	88~128
(13) Supplementary disclosures	129~130
(14) Segment information	130~131

INDEPENDENT AUDITORS' REVIEW REPORT
(TRANSLATED FROM CHINESE)

PWCR21000142

To the Board of Directors and Shareholders of
Ho Tai Motor Co., Ltd.

Introduction

We have reviewed the accompanying consolidated balance sheets of Ho Tai Motor Co., Ltd. and its subsidiaries (the "Group") as of September 30, 2021 and 2020, and the related consolidated statements of comprehensive income for the three months and nine months then ended, as well as the consolidated statements of changes in equity and of cash flows for the nine months then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, Regulations Governing the Preparation of Financial and Operational Reports by Enterprises Engaging in Insurance and International Accounting Standard 34, "Interim Financial Reporting" as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of review

Except as explained in the following paragraph, we conducted our reviews in accordance with the Statement of Auditing Standards No. 65, "Review of Financial Information Performed by the Independent Auditor of the Entity" in the Republic of China. A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for qualified conclusion

As explained in Notes 4(3) and 6(10), the financial statements of certain insignificant consolidated subsidiaries and investments accounted for using the equity method were not reviewed by independent auditors. Total assets of these subsidiaries and investments accounted for using the equity method amounted to NT\$59,327,930 thousand and NT\$51,199,249 thousand, constituting 18% and 19% of the consolidated total assets as at

September 30, 2021 and 2020, respectively, total liabilities amounted to NT\$12,003,300 thousand and NT\$13,307,696 thousand, constituting 5% and 7% of the consolidated total liabilities as at September 30, 2021 and 2020, respectively, and the total comprehensive income amounted to NT\$1,301,197 thousand, NT\$1,431,174 thousand, NT\$4,565,939 thousand and NT\$3,357,151 thousand, constituting 31%, 30%, 29% and 29% of the consolidated total comprehensive income for the three months and nine months then ended, respectively. These amounts and the information disclosed in Note 13 were based solely on the unreviewed financial statements of these companies as of September 30, 2021 and 2020.

Qualified conclusion

Except for the adjustments to the consolidated financial statements, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries and investments accounted for using the equity method been reviewed by independent auditors as described in the *Basis for qualified conclusion* section above, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at September 30, 2021 and 2020, and of its consolidated financial performance for the three months and nine months then ended, and its consolidated cash flows for the nine months then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, Regulations Governing the Preparation of Financial Reports by Insurance Enterprises, and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission.

Yu-Lung, Wu

Fang-Yu, Wang

For and on behalf of PricewaterhouseCoopers, Taiwan
November 11, 2021

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the review of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and independent auditors’ review report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of management, PricewaterhouseCoopers, Taiwan cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

HO TAI MOTOR CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2021, DECEMBER 31, 2020 AND SEPTEMBER 30, 2020

(Expressed in thousands of New Taiwan dollars)

(The consolidated balance sheets as of SEPTEMBER 30, 2021 and 2020 are reviewed, not audited)

Assets	Notes	September 30, 2021		December 31, 2020		September 30, 2020		
		Amount	%	Amount	%	Amount	%	
Current Assets								
1100	Cash and cash equivalents	6(1)	\$ 15,063,055	5	\$ 18,525,991	6	\$ 14,233,798	5
1120	Financial assets at fair value through profit or loss-current	6(2)	8,453,239	3	5,813,451	2	5,503,645	2
1125	Financial assets at fair value through other comprehensive income	6(3)	82,194	-	28,634	-	29,694	-
1150	Derivative financial assets for hedging-current	6(4)	-	-	-	-	33,537	-
1190	Other financial assets-current	6(1) and 8	2,523,993	1	2,145,563	1	2,127,392	1
1195	Contract assets-current	6(28)	25,395	-	23,661	-	14,678	-
1201	Notes receivable	6(5), 7 and 8	11,559,638	3	8,753,542	3	10,216,535	4
1202	Accounts receivable	6(5), 7 and 8	168,002,709	52	141,639,465	49	134,412,679	49
1203	Other receivables	7	1,558,918	-	1,498,941	-	1,001,438	-
1270	Inventories	6(7)	8,309,680	2	11,856,153	4	8,420,201	3
1280	Prepayments	6(8)	8,736,404	3	8,266,805	3	7,747,072	3
1310	Reinsurance contract assets, net	6(9)	2,146,075	1	1,600,071	1	1,537,423	1
	Total current assets		<u>226,461,300</u>	<u>70</u>	<u>200,152,277</u>	<u>69</u>	<u>185,278,092</u>	<u>68</u>
Non-current assets								
1410	Financial assets at fair value through profit or loss-non-current	6(2)	1,038,055	-	1,051,390	-	1,000,000	-
1415	Financial assets at fair value through other comprehensive income-non-current	6(3)	10,641,369	3	9,690,894	3	8,731,785	3
1470	Investments accounted for using the equity method	6(10)	17,111,204	5	16,328,527	6	15,780,747	6
1480	Other financial assets-non-current	6(1)	142,308	-	453,372	-	25,004	-
1500	Property, plant and equipment, net	6(11)	52,436,116	16	48,726,030	17	47,189,936	17
1595	Right-of-use assets, net	6(12)	3,375,382	1	3,085,225	1	2,208,443	1
1600	Investment property, net	6(14)	2,537,478	1	2,362,562	1	2,334,788	1
1700	Intangible assets, net	6(15)	1,297,435	1	1,211,245	-	1,209,359	1
1800	Deferred income tax assets, net	6(33)	1,959,797	1	1,805,728	1	1,713,084	1
1900	Other assets	6(5)(9)(16)	7,479,944	2	5,384,710	2	5,926,891	2
	Total non-current assets		<u>98,019,088</u>	<u>30</u>	<u>90,099,683</u>	<u>31</u>	<u>86,120,037</u>	<u>32</u>
1XXX	Total Assets		<u>\$ 324,480,388</u>	<u>100</u>	<u>\$ 290,251,960</u>	<u>100</u>	<u>\$ 271,398,129</u>	<u>100</u>

(Continued)

HO TAI MOTOR CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2021, DECEMBER 31, 2020 AND SEPTEMBER 30, 2020

(Expressed in thousands of New Taiwan dollars)

(The consolidated balance sheets as of SEPTEMBER 30, 2021 and 2020 are reviewed, not audited)

	Liabilities and equity	Notes	September 30, 2021		December 31, 2020		September 30, 2020	
			Amount	%	Amount	%	Amount	%
	Current Liabilities							
2110	Short-term loans	6(17)	\$ 59,776,144	19	\$ 48,292,510	17	\$ 46,331,082	17
2120	Short-term notes and bills payable	6(18)	99,235,974	31	84,021,875	29	77,826,502	29
2140	Financial liabilities at fair value through profit or loss-current	6(2)	8,323	-	62,171	-	74,917	-
2150	Derivative financial liabilities for hedging	6(4)	282,066	-	355,051	-	227,352	-
2165	Contract liabilities-current	6(28)	1,149,076	-	1,442,973	1	1,299,533	1
2201	Notes payable		933,183	-	698,070	-	567,873	-
2202	Accounts payable	7	4,968,853	2	10,710,299	4	8,991,664	3
2203	Accrued expenses	6(21) and 7	5,495,611	2	6,143,160	2	4,877,706	2
2204	Other payables	6(27) and 7	1,272,578	-	1,115,032	1	999,002	-
2250	Commissions payable	7	415,328	-	435,365	-	459,105	-
2260	Due to reinsurance and ceding companies		516,803	-	495,682	-	464,021	-
2270	Claims payable		31,583	-	19,543	-	13,253	-
2310	Current income tax liabilities		3,126,635	1	2,540,184	1	1,849,015	1
2320	Advance receipts		297,454	-	293,359	-	252,416	-
2330	Long-term liabilities-current portion	6(19)(20)	14,012,740	4	12,249,530	4	11,914,596	4
2335	Current lease liabilities	7	406,791	-	345,629	-	361,067	-
2350	Other current liabilities	6(9)(23)(24)	18,649,800	6	15,501,137	5	15,639,290	6
	Total current liabilities		<u>210,578,942</u>	<u>65</u>	<u>184,721,570</u>	<u>64</u>	<u>172,148,394</u>	<u>63</u>
	Non-current liabilities							
2550	Long-term loans	6(20)	4,212,525	1	3,136,165	1	3,348,455	1
2600	Provisions	6(9)(23)	8,102,575	2	6,851,105	2	6,469,897	2
2620	Guarantee deposits received	6(24)	7,012,775	2	6,973,746	2	6,739,660	3
2625	Non-current lease liabilities	7	1,644,727	1	1,422,072	1	1,472,645	1
2630	Deferred income tax liabilities	6(33)	3,676,759	1	3,261,852	1	3,117,643	1
2660	Other liabilities		80	-	108	-	116	-
	Total non-current liabilities		<u>24,649,441</u>	<u>7</u>	<u>21,645,048</u>	<u>7</u>	<u>21,148,416</u>	<u>8</u>
2XXX	Total liabilities		<u>235,228,383</u>	<u>72</u>	<u>206,366,618</u>	<u>71</u>	<u>193,296,810</u>	<u>71</u>
	Equity attributable to shareholders of the parent							
	Share capital	6(25)						
3110	Common stock		5,461,792	2	5,461,792	2	5,461,792	2
	Capital surplus	6(26)						
3200	Capital surplus		2,808,181	1	2,818,336	1	2,819,392	1
	Retained earnings	6(27)						
3310	Legal reserve		13,925,963	4	12,544,333	4	12,544,333	5
3320	Special reserve		381,843	-	381,843	-	381,843	-
3330	Unappropriated earnings		44,339,374	14	42,338,324	15	38,851,372	14
	Other equity							
3400	Other equity		2,701,098	1	1,933,076	1	431,952	-
31XX	Total equity attributable to shareholders of the parent		<u>69,618,251</u>	<u>22</u>	<u>65,477,704</u>	<u>23</u>	<u>60,490,684</u>	<u>22</u>
32XX	Non-controlling interest		<u>19,633,754</u>	<u>6</u>	<u>18,407,638</u>	<u>6</u>	<u>17,610,635</u>	<u>7</u>
3XXX	Total equity		<u>89,252,005</u>	<u>28</u>	<u>83,885,342</u>	<u>29</u>	<u>78,101,319</u>	<u>29</u>
	Significant contingent liabilities and unrecognized contract commitments	9						
	Significant events after balance sheet date	11						
	Total liabilities and equity		<u>\$ 324,480,388</u>	<u>100</u>	<u>\$ 290,251,960</u>	<u>100</u>	<u>\$ 271,398,129</u>	<u>100</u>

The accompanying notes are an integral part of these consolidated financial statements.

HO TAI MOTOR CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)
(Reviewed, not audited)

Items	Notes	Three months ended September 30,				Nine months ended September 30,				
		2021		2020		2021		2020		
		Amount	%	Amount	%	Amount	%	Amount	%	
Revenues										
4010	Interest income	6(3)(29) and 7	\$ 3,169,207	6	\$ 2,493,593	4	\$ 9,010,993	5	\$ 7,266,544	4
4020	Premiums revenue	6(30) and 7	2,203,888	4	1,867,900	3	6,266,671	3	5,291,352	3
4040	Reinsurance commission revenue		121,200	-	111,760	-	351,614	-	304,998	-
4050	Fee income		2,968	-	3,144	-	8,546	-	8,735	-
4060	Share of profit of associates and joint ventures accounted for using the equity method	6(10)	285,107	-	223,525	-	1,497,350	1	846,550	1
4090	Gain (loss) on financial assets and liabilities at fair value through profit or loss	6(2)	(158,088)	-	229,403	1	671,619	-	290,176	-
4105	Realized gains (losses) on financial assets at fair value through other comprehensive income		72,627	-	62,769	-	207,490	-	209,818	-
4160	Net sales revenue	6(28) and 7								
4161	Sales revenue		47,630,786	83	48,600,851	86	162,116,415	85	148,045,096	87
4162	Sales returns		(172,148)	-	(253,903)	-	(696,760)	-	(735,915)	-
4163	Sales discounts and allowances		(1,078,608)	(2)	(966,499)	(2)	(3,295,123)	(2)	(3,019,863)	(2)
4170	Rental revenue		3,774,514	7	3,441,109	6	11,066,156	6	9,864,275	6
4180	Service revenue	6(28) and 7	494,862	1	495,306	1	1,454,641	1	1,429,798	1
4210	Gains on disposals of property, plant and equipment		5,849	-	6,819	-	23,985	-	28,076	-
4230	Income from investment property	6(14)	42,517	-	39,790	-	121,859	-	105,186	-
4260	Foreign exchange gains		69,023	-	165,058	-	501,991	-	302,533	-
4270	Other income		308,638	1	225,805	1	740,566	1	835,515	-
4256	Reversal gain on expected credit of investment and impairment loss		(4)	-	(8)	-	(9)	-	65	-
4245	Gains (losses) on using overlay approach of investment	6(2)	222,701	-	2,747	-	40,507	-	55,477	-
4280	Unrealized profit from sales		60,998	-	38,972	-	(114,833)	-	(44,187)	-
4290	Realized profit from sales		-	-	48,845	-	44,478	-	48,845	-
	Total revenues		<u>57,056,037</u>	<u>100</u>	<u>56,836,986</u>	<u>100</u>	<u>190,018,156</u>	<u>100</u>	<u>171,133,074</u>	<u>100</u>
Expenses										
5010	Interest expense	7	(492,886)	(1)	(452,821)	(1)	(1,403,958)	(1)	(1,413,074)	(1)
5030	Underwriting expenses		(77)	-	(59)	-	(373)	-	(338)	-
5040	Commission expenses	7	(1,253,428)	(2)	(897,739)	(1)	(3,672,015)	(2)	(2,596,037)	(1)
5050	Claims payment	7	(931,300)	(2)	(976,653)	(2)	(2,871,840)	(2)	(2,682,682)	(2)
5070	Net changes in other insurance liabilities		(292,062)	-	(84,483)	-	(727,075)	-	(178,763)	-
5190	Cost of sales	6(7) and 7	(40,302,325)	(71)	(41,687,794)	(73)	(138,833,735)	(73)	(127,875,881)	(75)
5200	Cost of rental revenue		(3,160,743)	(5)	(2,782,979)	(5)	(9,181,055)	(5)	(8,039,997)	(5)
5210	Cost of services		(400,814)	(1)	(378,241)	(1)	(1,104,874)	(1)	(941,458)	-
5230	Operating expenses	6(31)(32)and 7								
5231	Selling expenses		(2,630,468)	(5)	(2,203,162)	(4)	(7,316,920)	(4)	(6,306,700)	(4)
5232	General and administrative expenses		(1,566,061)	(3)	(1,457,406)	(2)	(4,515,720)	(2)	(4,138,278)	(2)
5233	Research and development expenses		(28,052)	-	(23,595)	-	(84,887)	-	(58,394)	-
5287	Expected credit impairment loss of non-investment	12(5)	(167,559)	-	(339,590)	(1)	(822,003)	-	(1,050,333)	(1)
5270	Expenses and losses from investment property	6(14)	(8,393)	-	(5,918)	-	(24,925)	-	(17,740)	-
5320	Other expenses		(20,584)	-	(30,008)	-	(74,021)	-	(37,353)	-
	Total expenses		<u>(51,254,752)</u>	<u>(90)</u>	<u>(51,320,448)</u>	<u>(90)</u>	<u>(170,633,401)</u>	<u>(90)</u>	<u>(155,337,028)</u>	<u>(91)</u>
6100	Income before income tax from continuing operation		5,801,285	10	5,516,538	10	19,384,755	10	15,796,046	9
6200	Income tax expense	6(33)	(1,450,610)	(3)	(1,139,214)	(2)	(4,227,652)	(2)	(3,461,823)	(2)
6500	Profit for the period		<u>\$ 4,350,675</u>	<u>7</u>	<u>\$ 4,377,324</u>	<u>8</u>	<u>\$ 15,157,103</u>	<u>8</u>	<u>\$ 12,334,223</u>	<u>7</u>

(Continued)

HO TAI MOTOR CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)
(Reviewed, not audited)

Items	Notes	Three months ended September 30,				Nine months ended September 30,			
		2021		2020		2021		2020	
		Amount	%	Amount	%	Amount	%	Amount	%
Other comprehensive income (loss) for the period									
Components of other comprehensive income (loss) that may not be reclassified to profit or loss									
6617 Gain from investments in equity instruments measured at fair value through other comprehensive income	6(3)	\$ 119,917	-	\$ 143,491	-	\$ 1,005,113	-	(\$ 710,380)	-
6610 Total components of other comprehensive income that may not be reclassified to profit or loss		<u>119,917</u>	-	<u>143,491</u>	-	<u>1,005,113</u>	-	<u>(\$ 710,380)</u>	-
Components of other comprehensive income (loss) that will be reclassified to profit or loss									
6650 Financial statement translation differences of foreign operations		(37,743)	-	220,943	-	(189,034)	-	(43,233)	-
6659 Unrealized gains (loss) from investments in debt instruments measured at fair value through other comprehensive income	6(3)	(4,522)	-	6,227	-	(18,307)	-	20,544	-
6661 Loss on hedging instrument	6(4)	(42,251)	-	(5,599)	-	(84,532)	-	3,620	-
6675 Other comprehensive income (loss) reclassified by using overlay approach	6(2)	(222,701)	-	(2,747)	-	(40,507)	-	(55,477)	-
6665 Share of other comprehensive income of associates and joint ventures accounted for using the equity method - components of other comprehensive income		2,287	-	(18,302)	-	12,780	-	5,217	-
6689 Income tax related to components of other comprehensive income	6(33)	<u>8,991</u>	-	<u>(1,889)</u>	-	<u>19,576</u>	-	<u>(5,472)</u>	-
Total components of other comprehensive income that will be reclassified to profit or loss		<u>(295,939)</u>	-	<u>198,633</u>	-	<u>(300,024)</u>	-	<u>(74,801)</u>	-
6600 Other comprehensive income (loss) for the period		<u>(\$ 176,022)</u>	-	<u>\$ 342,124</u>	-	<u>\$ 705,089</u>	-	<u>(\$ 785,181)</u>	-
6700 Total comprehensive income for the period		<u>\$ 4,174,653</u>	<u>7</u>	<u>\$ 4,719,448</u>	<u>8</u>	<u>\$ 15,862,192</u>	<u>8</u>	<u>\$ 11,549,042</u>	<u>7</u>
Profit attributable to:									
6810 Owners of parent		\$ 3,513,167	5	\$ 3,615,990	7	\$ 12,667,726	7	\$ 10,329,350	6
6820 Non-controlling interests		<u>837,508</u>	<u>2</u>	<u>761,334</u>	<u>1</u>	<u>2,489,377</u>	<u>1</u>	<u>2,004,873</u>	<u>1</u>
		<u>\$ 4,350,675</u>	<u>7</u>	<u>\$ 4,377,324</u>	<u>8</u>	<u>\$ 15,157,103</u>	<u>8</u>	<u>\$ 12,334,223</u>	<u>7</u>
Comprehensive income attributable to:									
6910 Owners of parent		\$ 3,366,212	6	\$ 3,927,224	7	\$ 13,435,748	7	\$ 9,548,099	6
6920 Non-controlling interests		<u>808,441</u>	<u>1</u>	<u>792,224</u>	<u>1</u>	<u>2,426,444</u>	<u>1</u>	<u>2,000,943</u>	<u>1</u>
		<u>\$ 4,174,653</u>	<u>7</u>	<u>\$ 4,719,448</u>	<u>8</u>	<u>\$ 15,862,192</u>	<u>8</u>	<u>\$ 11,549,042</u>	<u>7</u>
Earnings per share (in dollars)	6(34)								
Basic earnings per share		<u>\$</u>	<u>6.43</u>	<u>\$</u>	<u>6.62</u>	<u>\$</u>	<u>23.19</u>	<u>\$</u>	<u>18.91</u>
Diluted earnings per share	6(34)	<u>\$</u>	<u>6.43</u>	<u>\$</u>	<u>6.61</u>	<u>\$</u>	<u>23.18</u>	<u>\$</u>	<u>18.89</u>

The accompanying notes are an integral part of these consolidated financial statements.

HO TAI MOTOR CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020

(Expressed in thousands of New Taiwan dollars)

(Reviewed, not audited)

Equity attributable to shareholders of the parent													
Notes	Share capital- common stock	Capital surplus	Retained earnings			Other equity					Total	Non- controlling interests	Total equity
			Legal reserve	Special reserve	Unappropriated earnings	Financial statement translation differences of foreign operations	Unrealized gains on financial assets at fair value through other comprehensive income	Other compre- hensive income (loss) reclassified by using overlay approach	Gain (loss) on hedging instruments				
<u>Nine months ended September 30, 2020</u>													
	\$ 5,461,792	\$ 2,816,734	\$ 11,350,835	\$ 381,843	\$ 37,362,029	(\$ 687,128)	\$ 1,791,411	\$ 102,052	\$ 6,868	\$ 58,586,436	\$ 17,022,191	\$ 75,608,627	
	-	-	-	-	10,329,350	-	-	-	-	10,329,350	2,004,873	12,334,223	
	-	-	-	-	-	(31,903)	(689,071)	(59,025)	(1,252)	(781,251)	(3,930)	(785,181)	
	-	-	-	-	10,329,350	(31,903)	(689,071)	(59,025)	(1,252)	9,548,099	2,000,943	11,549,042	
Appropriation and distribution of retained earnings:													
	-	-	1,193,498	-	(1,193,498)	-	-	-	-	-	-	-	
	-	-	-	-	(7,646,509)	-	-	-	-	(7,646,509)	(1,498,588)	(9,145,097)	
	-	-	-	-	-	-	-	-	-	-	88,747	88,747	
	-	2,658	-	-	-	-	-	-	-	2,658	(2,658)	-	
	\$ 5,461,792	\$ 2,819,392	\$ 12,544,333	\$ 381,843	\$ 38,851,372	(\$ 719,031)	\$ 1,102,340	\$ 43,027	\$ 5,616	\$ 60,490,684	\$ 17,610,635	\$ 78,101,319	
<u>Nine months ended September 30, 2021</u>													
	\$ 5,461,792	\$ 2,818,336	\$ 12,544,333	\$ 381,843	\$ 42,338,324	(\$ 496,286)	\$ 2,069,100	\$ 349,885	\$ 10,377	\$ 65,477,704	\$ 18,407,638	\$ 83,885,342	
	-	-	-	-	12,667,726	-	-	-	-	12,667,726	2,489,377	15,157,103	
	-	-	-	-	-	(149,548)	992,719	(42,685)	(32,464)	768,022	(62,933)	705,089	
	-	-	-	-	12,667,726	(149,548)	992,719	(42,685)	(32,464)	13,435,748	2,426,444	15,862,192	
Appropriation and distribution of retained earnings:													
	-	-	1,381,630	-	(1,381,630)	-	-	-	-	-	-	-	
	-	-	-	-	(9,285,046)	-	-	-	-	(9,285,046)	(1,645,483)	(10,930,529)	
	-	-	-	-	-	-	-	-	-	-	435,000	435,000	
	-	(10,155)	-	-	-	-	-	-	-	(10,155)	10,155	-	
	\$ 5,461,792	\$ 2,808,181	\$ 13,925,963	\$ 381,843	\$ 44,339,374	(\$ 645,834)	\$ 3,061,819	\$ 307,200	\$ 22,087	\$ 69,618,251	\$ 19,633,754	\$ 89,252,005	

The accompanying notes are an integral part of these consolidated financial statements.

HO TAI MOTOR CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)
(Reviewed, not audited)

	Notes	Nine months ended September 30,	
		2021	2020
Cash flows from operating activities			
Consolidated profit before income tax		\$ 19,384,755	\$ 15,796,046
Adjustments to reconcile profit before tax to net cash provided by operating activities			
Income and expenses having no effect on cash flows			
Net gain on financial assets and liabilities at fair value through profit or loss	6(2)	(671,619)	(290,176)
Provision for financial guarantee expense		33,387	71,988
Expected credit impairment loss (gain on reversal) of investment		9	(65)
Expected credit impairment loss of non-investment		822,003	1,050,333
Depreciation	6(11)(12)(14)(31)	7,886,084	7,019,223
Amortization	6(31)	96,921	59,979
Impairment loss of rental assets	6(11)	16,474	137,012
Profit from lease modification	6(12)	(2,945)	(111)
Net gain on disposal of property, plant and equipment		(23,985)	(28,076)
Share of profit of associates accounted for using the equity method	6(10)	(1,497,350)	(846,550)
Interest expense		1,403,958	1,413,074
Interest income	6(29)	(9,010,993)	(7,266,544)
Dividend income		(204,982)	(207,612)
Unrealized profit from sales		114,833	44,187
Realized profit from sales		(44,478)	(48,845)
Exchange gain (loss)		(823)	(26,759)
Changes in assets and liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Financial assets at fair value through profit or loss		(1,995,341)	(589,821)
Contract assets		(1,734)	4,965
Notes and accounts receivable		(30,024,730)	(14,095,371)
Other receivables		(91,646)	(113,340)
Inventories		7,201,874	8,173,160
Prepayments		(172,908)	(422,299)
Reinsurance contract assets		(864,480)	(368,652)
Net changes in liabilities relating to operating activities			
Financial liabilities at fair value through profit or loss		(53,848)	(74,655)
Contract liabilities		(293,897)	96,775
Notes and accounts payable		(5,506,333)	(1,595,991)
Accrued expenses		(641,246)	(152,513)
Other payables		157,546	(502,370)
Commission payable		(20,037)	18,116
Due to reinsurance and ceding companies		21,121	(14,138)
Claims payable		12,040	1,022
Advance receipts		4,095	19,147
Other current liabilities		1,986,409	1,691,537
Provisions		1,251,470	513,586
Other liabilities		(28)	(23,129)
Cash (outflow) inflow generated from operations		(10,730,424)	9,443,133
Cash dividends received		836,520	724,862
Income tax paid		(3,633,984)	(3,969,514)
Interest received		9,042,662	7,260,367
Interest paid		(1,433,755)	(1,434,377)
Net cash (used in) provided by operating activities		(5,918,981)	12,024,471

(Continued)

HO TAI MOTOR CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)
(Reviewed, not audited)

	Notes	Nine months ended September 30,	
		2021	2020
<u>Cash flows from investing activities</u>			
Increase in financial assets at fair value through other comprehensive income		(\$ 17,238)	(\$ 4,228)
Increase in other financial assets		(67,366)	(262,281)
Acquisition of investments accounted for using the equity method	6(10)	-	(333,176)
Acquisition of property, plant and equipment	6(11)	(15,633,909)	(13,151,783)
Proceeds from disposal of property, plant and equipment		587,307	407,017
Acquisition of right-of-use assets		-	(27,932)
Acquisition of intangible assets	6(15)	(150,559)	(28,734)
Increase in other assets		(1,582,257)	(615,170)
Acquisition of investment properties	6(14)	(227,805)	(1,224)
Net cash used in investing activities		(17,091,827)	(14,017,511)
<u>Cash flows from financing activities</u>			
Proceeds from issuance of bonds	6(19)	5,200,000	7,000,000
Repayment of long-term loans	6(36)	(2,400,000)	(2,800,000)
Increase in short-term loans	6(36)	11,334,494	(14,615,955)
Increase in short-term notes and bills payable	6(36)	15,214,099	24,091,026
Proceeds from long-term loans	6(36)	1,900,952	1,599,725
Repayments of bonds	6(36)	(1,858,667)	(1,657,500)
Repayment of principal portion of lease liability	6(12)	(433,713)	(372,897)
Increase in guarantee deposits received	6(36)	1,201,283	80,799
Cash dividends paid	6(27)	(9,285,046)	(7,646,509)
Cash dividends paid from subsidiaries to non-controlling interests		(1,645,483)	(1,498,588)
Change in non-controlling interests		435,000	88,747
Net cash provided by financing activities		19,662,919	4,268,848
Net effect of changes in foreign currency exchange rates		(115,047)	(65,749)
(Decrease) increase in cash and cash equivalents		(3,462,936)	2,210,059
Cash and cash equivalents at beginning of period		18,525,991	12,023,739
Cash and cash equivalents at end of period		\$ 15,063,055	\$ 14,233,798

The accompanying notes are an integral part of these consolidated financial statements..

HO TAI MOTOR CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

(Reviewed, not audited)

1. History and Organization

Ho Tai Motor Co., Ltd. (the “Company”) was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.). The Company and its subsidiaries (collectively referred herein as the “Group”) are primarily engaged in import, trading, selling and repairing of vehicles and their parts, as well as installment sales and leases of vehicles, and sales of used vehicles and business of property insurance.

2. The Date of Authorisation for Issuance of the Financial Statements and Procedures for Authorisation

These consolidated financial statements were reported to the Board of Directors on November 11, 2021.

3. Application of New Standards, Amendments and Interpretations

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by the FSC effective from 2021 are as follows:

<u>New and revised Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 4, ‘Extension of the temporary exemption from applying IFRS 9’	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, ‘Interest Rate Benchmark Reform— Phase 2’	January 1, 2021
Amendment to IFRS 16, ‘Covid-19-related rent concessions beyond 30 June 2021’	April 1, 2021(Note)

Note: Earlier application from January 1, 2021 is allowed by FSC.

The above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

New standards, interpretations and amendments endorsed by the FSC effective from 2022 are as follows:

<u>New and revised Standards, Interpretations and Amendments</u>	<u>Effective date issued by International Accounting Standards Board</u>
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts - cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRS Standards 2018-2020	January 1, 2022

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

(3) Effects of IFRSs issued by IASB but not yet endorsed by the FSC

New and revised standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

<u>New and revised Standards, Interpretations and Amendments</u>	<u>Effective date issued by International Accounting Standards Board</u>
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2023
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023

Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment. The quantitative impact will be disclosed when the assessment is complete.

A. IFRS 17, 'Insurance contracts'

IFRS 17 'Insurance Contracts' replaces IFRS 4 and establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. The standard applies to insurance contracts (including reinsurance contracts) issued, to reinsurance contracts held and to investment contracts with discretionary participation features issued, provided the entity also issues insurance contracts. Embedded derivatives, distinct investment components and distinct performance obligations shall be separated from the insurance contracts. An entity shall

disaggregate a portfolio into three groups of contracts at initial recognition: onerous, no significant risk of becoming onerous, and remaining contracts. IFRS 17 requires a current measurement model, where estimates are remeasured in each reporting period. The measurement is based on the building blocks of discounted, probability-weighted cash flows, a risk adjustment and a contractual service margin ('CSM') representing the unearned profit of the contract. An entity may apply a modified simplified measurement approach (the premium allocation approach) to some insurance contracts. An entity recognizes the profit from a group of insurance contracts over the period the entity provides insurance coverage, and as the entity is released from risk. If a group of contracts is or becomes loss-making, an entity recognizes the loss immediately. Entities are required to separately present insurance revenue, insurance service expenses and insurance finance income or expenses and to disclose information about amounts, judgements and risks arising from insurance contracts.

B. Amendments to IFRS 17, 'Insurance contracts'

The amendments to IFRS 17 include the deferral of effective date, expected recovery of insurance acquisition cash flows, contractual service margin attributable to investment services, reinsurance contracts held – recovery of losses and other amendments, and they are not intended to change the fundamental principles of the standard.

4. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", "Regulations Governing the Preparation of Financial Reports by Enterprises Engaging in Insurance" and IAS 34, "Interim financial reporting" as endorsed by the FSC.

(2) Basis of preparation

A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:

- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
- (b) Financial assets at fair value through other comprehensive income.
- (c) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.
- (d) The insurance liabilities and reinsurance reserve assets recognized in accordance with specific statutory requirements and regulations relevant to insurance enterprises.

B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs") requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the

consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

- (a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
- (b) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- (c) Profit or loss and each component of other comprehensive income are attributed to the shareholders of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
- (d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.
- (e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.
- (f) For the nine months ended September 30, 2021 and 2020, the subsidiaries included in the consolidated financial statements except for Hozan Investment Co., Ltd., Hotai Finance Co., Ltd., Hotai Leasing Co., Ltd., Hotai Insurance Co., Ltd., Hoyun International Limited and Hoyun International Lease Co., Ltd., which were evaluated and disclosed in accordance with their reviewed financial statements, other subsidiaries were evaluated and disclosed in accordance with their unreviewed financial statements.

B. Subsidiaries included in the consolidated financial statements:

Investor	Investee	Main business activities	Ownership (%)			Note
			September 30, 2021	December 31, 2020	September 30, 2020	
Ho Tai Motor Co., Ltd.	Shanghai Ho-Yu (BVI) Investment Co., Ltd.	Equity investments in Mainland China (trading and repairing of vehicles and their parts)	100.00	100.00	100.00	
Ho Tai Motor Co., Ltd.	Hozan Investment Co., Ltd.	General investment	100.00	100.00	100.00	
Ho Tai Motor Co., Ltd.	Chang Yuan Motor Co., Ltd.	Sales of vehicles and parts and repairing of vehicles	100.00	100.00	100.00	

Investor	Investee	Main business activities	Ownership (%)			Note
			September 30, 2021	December 31, 2020	September 30, 2020	
Ho Tai Motor Co., Ltd.	Toyota Material Handling Taiwan Ltd.	Sales of vehicles and parts for industry use	100.00	100.00	100.00	Note 7
Ho Tai Motor Co., Ltd.	Ho Tai Development Co., Ltd.	Agent for sales of air conditioning system and contracting of air conditioning construction	45.01	45.01	45.01	Note 2
Ho Tai Motor Co., Ltd.	Carmax Co., Ltd.	Trading of vehicle products/accessories	51.00	51.00	51.00	
Ho Tai Motor Co., Ltd.	Eastern Motor Co., Ltd.	Sales of vehicles and parts and repairing of vehicles	100.00	100.00	100.00	
Ho Tai Motor Co., Ltd.	Smart Design Technology Co., Ltd.	Electronic parts and components manufacturing	20.00	20.00	20.00	Note 1
Ho Tai Motor Co., Ltd.	Hotai Connected Co., Ltd	E-commerce platform services	100.00	100.00	-	Note 10
Ho Tai Motor Co., Ltd.	Hotai AutoBody Manufacturing Co., Ltd.	Assembly of vehicle bodies	50.00	-	-	Note 1, 15
Shanghai Ho-Yu (BVI) Investment Co., Ltd.	Tienjin Ho Yu Investment Co., Ltd.	Equity investments in Mainland China, trading and repairing of vehicles and their parts	70.00	70.00	70.00	
Shanghai Ho-Yu (BVI) Investment Co., Ltd.	Hotong Motor Investment Co., Ltd.	Operation decision making, capital and financial management, information services, employee trainings and other services	100.00	100.00	100.00	
Tienjin Ho Yu Investment Co., Ltd.	Tianjin Ho-Yu Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	100.00	100.00	100.00	
Hotong Motor Investment Co., Ltd.	Tianjin Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	100.00	100.00	100.00	
Hotong Motor Investment Co., Ltd.	Tianjin Hozhan Motor Service Co., Ltd.	Sales and repairing of vehicles	100.00	100.00	100.00	
Hotong Motor Investment Co., Ltd.	Shanghai Hoyu Motor Service Co., Ltd.	Sales and repairing of vehicles	100.00	100.00	100.00	
Hotong Motor Investment Co., Ltd.	Shanghai Heling Motor Service Co., Ltd.	Sales and repairing of vehicles	75.00	75.00	75.00	
Hotong Motor Investment Co., Ltd.	Shanghai Hozhan Motor Service Co., Ltd.	Sales and repairing of vehicles	100.00	100.00	100.00	
Hotong Motor Investment Co., Ltd.	Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	100.00	100.00	100.00	
Hotong Motor Investment Co., Ltd.	Tangshan Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	100.00	100.00	100.00	
Hotong Motor Investment Co., Ltd.	Nanchang Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	100.00	100.00	100.00	
Hotong Motor Investment Co., Ltd.	Zaozhuang Ho-Yu Toyota Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	100.00	100.00	100.00	
Hotong Motor Investment Co., Ltd.	Shanghai Ho Mian Motor Technology Co., Ltd.	Trading of vehicle products / accessories and property management	100.00	100.00	100.00	
Hotong Motor Investment Co., Ltd.	Shanghai Hoxin Motor Service Consulting Co.,Ltd.	Consulting services	100.00	100.00	100.00	
Hotong Motor Investment Co., Ltd.	Shanghai HoChen Motor Technology Co.,Ltd.	Trading of vehicle products / accessories and property management	100.00	100.00	100.00	
Hotong Motor Investment Co., Ltd.	Shanghai Jiading Heling Lexus Motor Service Co., Ltd.	Sales and repairing of vehicles	100.00	100.00	100.00	
Hotong Motor Investment Co., Ltd.	Nanjing HoZhan Motor Sales and Service Co.,LTD.	Sales and repairing of vehicles	70.00	70.00	70.00	Note 4
Hotong Motor Investment Co., Ltd.	Shanghai Fengyi Construction Decoration Co.,Ltd.	Property management	70.00	70.00	-	Note 9

Investor	Investee	Main business activities	Ownership (%)			Note
			September 30, 2021	December 31, 2020	September 30, 2020	
Hotong Motor Investment Co., Ltd.	Shanghai Zhongxin Means of Transportation Engineering Co.,Ltd.	Property management	100.00	100.00	-	Note 9
Zaozhuang Ho-Yu Toyota Motor Sales & Service Co., Ltd.	Zaozhuang Ho-Wan Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	100.00	100.00	100.00	
Shanghai Hoyu Motor Service Co., Ltd.	Shanghai Heling Motor Service Co., Ltd.	Sales and repairing of vehicles	25.00	25.00	25.00	Note 1
Shanghai Hoyu Motor Service Co., Ltd.	Shanghai Hede Used Vehicle Co., Ltd.	Trading of used vehicles	23.81	20.00	20.00	Note 1,14
Shanghai Hoyu Motor Service Co., Ltd.	Shanghai Guangxin Cultural Media Co., Ltd.	Advertisement design and production	100.00	100.00	100.00	
Shanghai Heling Motor Service Co., Ltd.	Shanghai Hede Used Vehicle Co., Ltd.	Trading of used vehicles	23.81	20.00	20.00	Note 1,14
Shanghai Heling Motor Service Co., Ltd.	Shanghai Yangpu Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	100.00	100.00	100.00	
Shanghai Heling Motor Service Co., Ltd.	Tianjin Heyi International Trading Co., Ltd.	Sales of imported cars	100.00	100.00	100.00	
Shanghai Hozhan Motor Service Co., Ltd.	Shanghai Hede Used Vehicle Co., Ltd.	Trading of used vehicles	23.81	20.00	20.00	Note 1,14
Hozan Investment Co., Ltd.	Hotai Leasing Co., Ltd.	Leasing of vehicles	66.04	66.04	66.04	
Hozan Investment Co., Ltd.	Hotai Finance Co., Ltd.	Installment trading and leasing of various vehicles	45.39	45.39	45.39	Note 2
Hozan Investment Co., Ltd.	Hotai Insurance Co., Ltd.	Property and casualty insurance services	99.80	99.80	99.80	
Hozan Investment Co., Ltd.	Hotai Connected Co., Ltd	E-commerce platform services	-	-	100.00	Note 10
Hozan Investment Co., Ltd.	Hoati Innovation Marketing Co., Ltd.	Retail and wholesale of collections	100.00	100.00	100.00	
Hotai Connected Co., Ltd	Hotai Mobility Service Co., Ltd.	Taxi dispatch service	41.10	60.00	60.00	Note 6,16
Hotai Finance Co., Ltd.	Hotai Mobility Service Co., Ltd.	Taxi dispatch service	27.40	40.00	40.00	Note 6,16
Hotai Mobility Service Co., Ltd.	ChyuanAn Transport Co.,Ltd	Taxi service	100.00	100.00	-	Note 12
Hotai Mobility Service Co., Ltd.	YuCheng Transport Co.,Ltd	Taxi service	100.00	100.00	-	Note 12
Hotai Finance Co., Ltd.	Hoyun International Limited	General investment	50.50	50.50	50.50	
Hotai Leasing Co., Ltd.	Hoyun International Limited	General investment	49.50	49.50	49.50	Note 1
Hotai Leasing Co., Ltd.	Hoing Mobility Service Corporation	Leasing of vehicles	-	49.18	49.18	Note 3,13
Hotai Finance Co., Ltd.	Hoing Mobility Service Corporation	Leasing of vehicles	50.82	50.82	50.82	Note 3
Hotai Connected Co., Ltd.	Hoing Mobility Service Corporation	Leasing of vehicles	49.18	-	-	Note 1, 13
Hoyun International Limited	Hoyun International Lease Co., Ltd.	Leasing, wholesale, retail of and support service for vehicles	100.00	100.00	100.00	
Hoyun International Lease Co., Ltd.	Hoyun (Shanghai) Commercial Factoring Co., Ltd.	Factoring services	100.00	100.00	100.00	
Hoyun International Lease Co., Ltd.	Hoyun (Shanghai) Vehicle Leasing Ltd.	Leasing of cars	100.00	-	-	Note 17

Investor	Investee	Main business activities	Ownership (%)			Note
			September 30, 2021	December 31, 2020	September 30, 2020	
Ho Tai Development Co., Ltd.	Ichiban International Co., Ltd.	General investment	100.00	100.00	100.00	
Toyota Material Handling Taiwan Ltd.	Shanghai Ho-Qian Logistics Equipment Trading Co., Ltd.	Sales of vehicles and parts for industry use	100.00	100.00	100.00	Note 7
Ho Tai Development Co., Ltd.	Ho Tai Service & Marketing Co., Ltd.	Repairing of air conditioning equipment and trading of their parts	100.00	100.00	100.00	
Ho Tai Development Co., Ltd.	Ho Tai Parts & Accessories Co., Ltd.	Trading of air conditioning equipment and their peripherals	100.00	100.00	100.00	Note 5
Ho Tai Development Co., Ltd.	3A Express Co., Ltd.	Freight forwarders	51.00	51.00	51.00	Note 8
3A Express Co., Ltd.	Long Hao Crane Engineering Co., Ltd.	Crane and hoist services engineering and transportation and storage	100.00	100.00	100.00	Note 8
3A Express Co., Ltd.	Ho Tai Transportation Co., Ltd.	Freight forwarders	100.00	100.00	100.00	Note 8
3A Express Co., Ltd.	Ho Tai Crane Engineering Co., Ltd.	Crane and hoist services engineering and transportation and storage	100.00	100.00	100.00	Note 8
3A Express Co., Ltd.	Long Ho Crane Engineering Co., Ltd.	Crane and hoist services engineering and transportation and storage	100.00	100.00	100.00	Note 8
3A Express Co., Ltd.	Long Hao Removal Transport Services Co., Ltd.	Freight forwarders	100.00	100.00	100.00	Note 8
Ichiban International Co., Ltd.	Air Master International Co., Ltd.	General investment	100.00	100.00	100.00	
Air Master International Co., Ltd.	He Zhan Development Co., Ltd.	Trading of air conditioning equipment	100.00	100.00	100.00	
Carmax Co., Ltd.	Carmax Autotech (Shanghai) Co., Ltd.	Trading of vehicle products/accessories	100.00	100.00	100.00	
Carmax Co., Ltd.	Smart Design Technology Co., Ltd.	Electronic parts and components manufacturing	61.77	61.77	61.77	
Eastern Motor Co., Ltd.	Doroman Autoparts Co., Ltd.	Wholesale and retail of vehicles parts and accessories	100.00	100.00	100.00	
Eastern Motor Co., Ltd.	DALEON AUTO PARTS AND ACCESSORIES CORPORATION	Wholesale and retail of vehicles parts and accessories	100.00	100.00	-	Note 11
Eastern Motor Co., Ltd.	Hotai Mobility Service Co., Ltd.	Taxi dispatch service	0.68	-	-	Note 16
Chang Yuan Motor Co., Ltd.	Hotai AutoBody Manufacturing Co., Ltd.	Assembly of vehicle bodies	20.00	-	-	Note 1, 15
Hotai AutoBody Manufacturing Co., Ltd.	Hotai AutoBody Sales Co., Ltd.	Sales of vehicle bodies	100.00	-	-	Note 18

Note 1: The Group holds more than 50% shareholding in the subsidiary.

Note 2: The abovementioned investees whose equity were held directly or indirectly by the Group not exceeding 50%, were regarded as subsidiaries and consolidated in the Company's financial statements, since the Company could control over a half of voting rights in the Board of Directors.

Note 3: On March 9, 2020, the Board of Directors of the Company's subsidiary, Hoing Mobility Service Corporation, resolved to increase its capital. The subsidiary, Hotai Leasing Co., Ltd., did not acquire shares proportionally to its interest; as a result, its shareholding ratio decreased to 49.18% from 100%. However, the subsidiary, Hotai Finance Co., Ltd. invested \$310 million in Hoing Mobility Service Corporation and its shareholding ratio increased to 50.82%.

Note 4: In February 2020, Hotong Motor Investment Co., Ltd. invested RMB 7 million to establish Nanjing HoZhan Motor Sales and Service Co., Ltd. and acquired a

shareholding of 70%.

Note 5: The investee was newly established in the first quarter of 2020.

Note 6: The investee was newly established in the second quarter of 2020. In August 2020, Hotai Mobility Service Co. increased its capital. The subsidiary, Hotai Connected Co., Ltd. did not acquire shares proportionally to its interest; as a result, its shareholding ratio decreased from 100% to 60%. However, the subsidiary, Hotai Finance Co., Ltd. invested \$120 million in Hotai Mobility Service Co., Ltd. and its shareholding ratio increased to 40%.

Note 7: In order to expand new business, Toyota Material Handling Taiwan Ltd. was renamed as Toyota Material Handling Taiwan Ltd. on August 24, 2020.

Note 8: In July 2020, the Company's subsidiary, Ho Tai Development Co., Ltd. participated in the capital increase of 3A Express Co., Ltd. amounting to \$51 million. The shareholding ratio was 51%, and the Company acquired the investee's wholly-owned subsidiary.

Note 9: The investee was acquired in the fourth quarter of 2020.

Note 10: On December 24, 2020, the shareholders of the Company's subsidiary, Hozan Investment Co., Ltd., during their meeting approved to reduce its capital amounting to \$579,060 by using 100% shareholding in its subsidiary, Hotai Connected Co., Ltd. as consideration, and transferred it to the Company.

Note 11: On December 4, 2020, the Company's subsidiary, Eastern Motor Co., Ltd., invested \$500 thousand to establish DALEON AUTO PARTS AND ACCESSORIES CORPORATION and acquired a shareholding of 100%.

Note 12: The Company's subsidiary, Hotai Mobility Service Co., Ltd., acquired 100% shareholding of ChyuanAn Transport Co.,Ltd. and YuCheng Transport Co.,Ltd. amounting to \$9,750 thousand and \$39,230 thousand on November 13, 2020 and December 25, 2020, respectively.

Note 13: On January 28, 2021, the Company's subsidiary, Hotai Leasing Co., Ltd., disposed of all its shares of Hoing Mobility Service Co., Ltd. to Hotai Connected Co., Ltd. For \$360,000; as a result, its shareholding ratio decreased to 0%. However, Hotai Connected Co., Ltd. increased its shareholding ratio to 49.18%.

Note 14: On March 5, 2021, the Company's subsidiaries, Shanghai Hoyu Motor Service Co., Ltd., Shanghai Heling Motor Service Co., Ltd. and Shanghai Hozhan Motor Service Co., each invested RMB 400 thousand to participate in the capital increase of Shanghai Hede Used Vehicle Co., Ltd., which was not in proportion to its interests; as a result, each subsidiary increased its shareholding ratio to 23.81%.

Note 15: On March 30, 2021, the Company and its subsidiary, Chang Yuan Motor Co., Ltd., invested \$500,000 and \$200,000, respectively, to participate in the capital increase of Ho Xing International Automobile Co., Ltd.; as a result, their shareholding ratios increased to 50% and 20%, respectively. The investee was renamed as Hotai AutoBody Manufacturing Co., Ltd. on April 29, 2021.

Note 16: On April 29, 2021, the Company's subsidiary, Eastern Motor Co., Ltd. participated in the capital increase of Hotai Mobility Service Co., Ltd. amounting to \$3 million. The shareholding ratio was 0.68%. As subsidiaries, Hotai Connected Co., Ltd. and Hotai Finance Co., Ltd. did not participate in the capital increase, their shareholding ratio of Hotai Mobility Service Co., Ltd. decreased to 41.10% and 27.40% from 60% and

40%, respectively.

Note 17: The investee was newly established in the first quarter of 2021.

Note 18: The investee was newly established in the third quarter of 2021.

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interest that are material to the Group:

As of September 30, 2021, December 31, 2020 and September 30, 2020, the non-controlling interest amounted to \$19,633,754, \$18,407,638 and \$17,610,635, respectively. The information of non-controlling interest that are material to the Group and respective subsidiaries is as follows:

<u>Name of subsidiary</u>	<u>Principal place of business</u>	<u>Non-controlling interest</u>			
		<u>September 30, 2021</u>		<u>December 31, 2020</u>	
		<u>Amount</u>	<u>Ownership (%)</u>	<u>Amount</u>	<u>Ownership (%)</u>
Hotai Finance Co., Ltd.	Taiwan	\$ 11,923,069	54.610%	\$ 11,738,080	54.610%
Hotai Leasing Co., Ltd.	Taiwan	1,538,790	33.958%	1,441,048	33.958%

<u>Name of subsidiary</u>	<u>Principal place of business</u>	<u>Non-controlling interest</u>	
		<u>September 30, 2020</u>	
		<u>Amount</u>	<u>Ownership (%)</u>
Hotai Finance Co., Ltd.	Taiwan	\$ 11,322,004	54.610%
Hotai Leasing Co., Ltd.	Taiwan	1,355,897	33.958%

Summarized financial information of the subsidiaries:

Balance sheets

	<u>Hotai Finance Co., Ltd.</u>		
	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Current assets	\$ 176,883,395	\$ 149,848,377	\$ 141,770,234
Non-current assets	11,974,137	9,160,867	8,847,300
Current liabilities	(163,968,558)	(134,781,890)	(127,174,679)
Non-current liabilities	(681,078)	(564,504)	(661,577)
Total net assets	<u>\$ 24,207,896</u>	<u>\$ 23,662,850</u>	<u>\$ 22,781,278</u>

	<u>Hotai Leasing Co., Ltd.</u>		
	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Current assets	\$ 3,361,594	\$ 2,990,422	\$ 2,788,002
Non-current assets	34,241,302	32,341,288	31,083,474
Current liabilities	(20,678,567)	(20,126,056)	(18,994,341)
Non-current liabilities	(12,392,879)	(10,962,034)	(10,884,271)
Total net assets	<u>\$ 4,531,450</u>	<u>\$ 4,243,620</u>	<u>\$ 3,992,864</u>

Statements of comprehensive income

	<u>Hotai Finance Co., Ltd.</u>	
	<u>Three months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Revenue	\$ 4,507,206	\$ 3,762,182
Profit before income tax	1,179,065	948,553
Income tax expense	(339,514)	(211,263)
Profit for the period	<u>839,551</u>	<u>737,290</u>
Other comprehensive (loss) income for the period, net of tax	(45,194)	<u>62,982</u>
Total comprehensive income for the period	<u>\$ 794,357</u>	<u>\$ 800,272</u>
Comprehensive income attributable to non-controlling interests	<u>\$ 391,200</u>	<u>\$ 380,876</u>
Dividends paid to non-controlling interest	<u>\$ 984,346</u>	<u>\$ -</u>

	<u>Hotai Finance Co., Ltd.</u>	
	<u>Nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Revenue	\$ 12,866,424	\$ 10,709,894
Profit before income tax	3,297,256	2,591,561
Income tax expense	(831,314)	(594,960)
Profit for the period	<u>2,465,942</u>	<u>1,996,601</u>
Other comprehensive loss for the period, net of tax	(122,027)	(13,087)
Total comprehensive income for the period	<u>\$ 2,343,915</u>	<u>\$ 1,983,514</u>
Comprehensive income attributable to non-controlling interests	<u>\$ 1,167,352</u>	<u>\$ 1,018,194</u>
Dividends paid to non-controlling interest	<u>\$ 984,346</u>	<u>\$ 871,849</u>

	<u>Hotai Leasing Co., Ltd.</u>	
	<u>Three months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Revenue	\$ 4,442,825	\$ 4,463,849
Profit before income tax	324,127	253,461
Income tax expense	(71,093)	(50,963)
Profit for the period	<u>253,034</u>	<u>202,498</u>
Other comprehensive (loss) income for the period, net of tax	(5,981)	<u>34,185</u>
Total comprehensive income for the period	<u>\$ 247,053</u>	<u>\$ 236,683</u>
Comprehensive income attributable to non-controlling interests	<u>\$ 76,894</u>	<u>\$ 80,373</u>
Dividends paid to non-controlling interest	<u>\$ 159,103</u>	<u>\$ -</u>

	<u>Hotai Leasing Co., Ltd.</u>	
	<u>Nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Revenue	\$ 13,218,249	\$ 12,788,115
Profit before income tax	948,885	753,555
Income tax expense	(217,181)	(175,214)
Profit for the period	<u>731,704</u>	<u>578,341</u>
Other comprehensive loss for the period, net of tax	(26,150)	(9,185)
Total comprehensive income (loss) for the period	<u>\$ 705,554</u>	<u>(\$ 569,156)</u>
Comprehensive income attributable to non-controlling interests	<u>\$ 232,592</u>	<u>\$ 193,274</u>
Dividends paid to non-controlling interest	<u>\$ 159,103</u>	<u>\$ 129,003</u>

Statements of cash flows

	<u>Hotai Finance Co., Ltd.</u>	
	<u>Nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Net cash used in operating activities	(\$ 24,432,758)	(\$ 10,922,791)
Net cash used in investing activities	(2,662,503)	(1,455,839)
Net cash provided by financing activities	27,464,464	12,599,308
Net effect of changes in foreign currency exchange rates	(52,832)	(61,436)
Increase in cash and cash equivalents	316,371	159,242
Cash and cash equivalents, beginning of period	<u>390,420</u>	<u>373,909</u>
Cash and cash equivalents, end of period	<u>\$ 706,791</u>	<u>\$ 533,151</u>

	<u>Hotai Leasing Co., Ltd.</u>	
	<u>Nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Net cash provided by operating activities	\$ 10,177,357	\$ 9,724,091
Net cash used in investing activities	(11,444,785)	(10,446,855)
Net cash provided by financing activities	<u>1,284,417</u>	<u>662,700</u>
Increase (decrease) in cash and cash equivalents	16,989	(60,064)
Cash and cash equivalents, beginning of period	<u>86,941</u>	<u>190,323</u>
Cash and cash equivalents, end of period	<u>\$ 103,930</u>	<u>\$ 130,259</u>

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan Dollar ("NTD"), which is the Company's functional and the Group's presentation currency.

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are

recognized in profit or loss in the period in which they arise, except when deferred in other comprehensive income as qualifying cash flow hedges.

- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All foreign exchange gains and losses are presented in the statement of comprehensive income within “foreign exchange gains or losses”.

B. Translation of foreign operations

The operating results and financial position of all the group entities, associates and jointly arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
- (b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
- (c) All resulting exchange differences are recognized in other comprehensive income.

(5) Classification of current and non-current items

Consolidated subsidiaries are engaged in installment sales, and the operating cycle usually exceeds 1 year. The consolidated subsidiaries use the operating cycle as its criterion for classifying current or non-current assets and liabilities related to installment sales. For other assets and liabilities, the criteria are as follows:

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
 - (a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
 - (b) Assets held mainly for trading purposes;
 - (c) Assets that are expected to be realized within twelve months from the balance sheet date;
 - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
 - (a) Liabilities that are expected to be settled within the normal operating cycle;

- (b) Liabilities arising mainly from trading activities;
- (c) Liabilities that are to be settled within twelve months from the balance sheet date;
- (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits and short-term notes and bills that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(7) Financial assets at fair value through profit or loss

A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortized cost or fair value through other comprehensive income. The Group's subsidiary, Hotai Insurance Co., Ltd., could designate financial assets at fair value through profit or loss using overlay approach when financial assets meet the following conditions:

- (a) It is measured at fair value through profit or loss applying IFRS 9 but would not have been measured at fair value through profit or loss in its entirety applying IAS 39; and
- (b) It is not held in respect of an activity that is unconnected with contracts within the scope of IFRS 4.

B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using trade date accounting.

C. At initial recognition, the Group measures the financial assets at fair value. All related transaction costs are recognized in profit or loss. The Group subsequently measures the financial assets at fair value with any gain or loss recognized in profit or loss.

D. The Group recognizes the dividend income when the right to receive dividends is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

E. Subsidiary, Hotai Insurance Co., Ltd., reclassifies between profit or loss and other comprehensive income an amount for the designated financial assets applying overlay approach. Accordingly, the amount reclassified is equal to the difference between:

- (a) The amount reported in profit or loss for the designated financial assets applying overlay approach if IFRS 9 had been applied; and
- (b) The amount that would have been reported in profit or loss for the designated financial assets applying overlay approach if IAS 39 had been applied.

(8) Financial assets at fair value through other comprehensive income

A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognize changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:

- (a) The objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets; and

- (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognized and derecognized using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value:
 - (a) The changes in fair value of equity investments that were recognized in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognized as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.
 - (b) Except for the recognition of impairment loss, interest income and gain or loss on foreign exchange which are recognized in profit or loss, the changes in fair value of debt instruments are taken through other comprehensive income. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

(9) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(10) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

(11) Impairment of financial assets

- A. For financial assets at fair value through other comprehensive income, receivables, and financial assets at amortized cost, at each reporting date, the Group recognizes the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Group recognizes the impairment provision for lifetime ECLs.
- B. The Group will perform the following procedure when the financial assets are assessed as having a significant increase in credit risk after initial recognition:
 - (a) Financial assets at fair value through other comprehensive income
 - Reclassify the amount of credit loss which originally are unrealized gains (losses) of accumulated losses of other comprehensive income as profit or loss.
 - (b) Financial assets at amortized cost
 - Decrease its carrying amount through an allowance account. When financial assets at

amortized cost are assessed as no longer recoverable, write-off the allowance accounts. For proceeds that were previously written-off and subsequently recovered, credit the allowance account. Except for financial assets at amortized cost that are assessed as no longer recoverable and written-off allowance accounts, the carrying amount of allowance accounts are recognized in profit or loss.

(12) Loss allowance of the subsidiary, Hotai Insurance Co., Ltd.

The Group's subsidiary, Hotai Insurance Co., Ltd., provisioned for an appropriate allowance loss under IFRS 9 and IFRS 4 for receivables, financial assets measured at amortized cost and reinsurance contract assets.

(13) Derecognition of financial assets

The Group derecognizes a financial asset when one of the following conditions is met:

- A. The contractual rights to receive the cash flows from the financial asset expire.
- B. The contractual rights to receive cash flows of the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.
- C. The contractual rights to receive cash flows of the financial asset have been transferred; however, the Group has not retained the control of the financial asset.

(14) Leasing arrangements (lessor) - lease receivables/operating leases

- A. Based on the terms of a lease contract, a lease is classified as a finance lease if the lessee assumes substantially all the risks and rewards incidental to ownership of the leased asset.
 - (a) At commencement of the lease term, the lessor should record a finance lease in the balance sheet as 'lease receivables' at an amount equal to the net investment in the lease (including initial direct costs). The difference between gross lease receivable and the present value of the receivable is recognized as 'unearned finance income of finance lease'.
 - (b) The lessor should allocate finance income over the lease term based on a systematic and rational basis reflecting a constant periodic rate of return on the lessor's net investment in the finance lease.
 - (c) Lease payments (excluding costs for services) relating to the lease term are applied against the gross investment in the lease to reduce both the principal and the unearned finance income.
- B. Lease income from an operating lease (net of any incentives given to the lessee) is recognized in profit or loss on a straight-line basis over the lease term.

(15) Inventories

Inventories are stated at the lower of cost and net realizable value. Except for the cost of inventories of Ho Tai Development Co., Ltd. which is determined using the weighted-average method, the cost of inventories of all other entities in the group is determined using the moving average method. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the applicable variable selling expenses.

(16) Investments accounted for using the equity method/associates

- A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates

are accounted for using the equity method and are initially recognized at cost.

- B. The Group's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- C. When changes in an associate's equity are not recognized in profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognizes change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.
- D. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- E. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for using the equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Group's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.
- F. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

(17) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
- B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each component of property, plant and equipment that is significant in relation to the total cost of the item must be depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate using IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	3 ~ 60 years
Utility equipment	5 ~ 10 years
Office equipment	1 ~ 20 years
Machinery and equipment	1 ~ 15 years
Leasehold improvements	1 ~ 35 years

(18) Leasing arrangements (lessee) - right-of-use assets/lease liabilities

A. Leases are recognized as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognized as an expense on a straight-line basis over the lease term.

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate or the interest rate implicit in the lease. Lease payments are fixed payments, less any lease incentives receivable.

The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognized as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost comprising the amount of the initial measurement of lease liability.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognized as an adjustment to the right-of-use asset.

(19) Investment property

A. An investment property is stated initially at its cost and measured subsequently using the cost model.

B. The significant improvements, additions and betterments of an item of investment property shall be recognized as an asset if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. The carrying amount of those parts that are replaced is derecognized. General repairs and maintenance are charged to current expenses.

C. An investment property shall be derecognized on disposal or when the investment property is

permanently withdrawn from use and no future economic benefits are expected from its disposal. When assets are derecognized, the cost and the accumulated depreciation at the time of sale or retirement are written off. Gain and loss on sale of the investment property, rental income, and relevant payment shall be recognized in gain and loss on investment property under net investment income (loss). Except for land, property (including accessory equipment) is depreciated on a straight-line basis over its estimated useful life of 2~60 years. Each part of an item of investment property with a cost that is significant in relation to the total cost of the item shall be depreciated separately. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change.

- D. Investment property of the Group's subsidiary-Hotai Insurance Co., Ltd. including the office building and land rented in the form of an operating lease are to generate rental income or capital increase or both. Investment property is recognized initially at cost plus transaction costs incurred and subsequently applies cost model measuring at cost net of accumulated depreciation and impairment. Part of the property may be held by the Group and another part generates rental income or capital increase. If the property held by the Group can be sold individually, then the accounting treatment should be made separately. IAS 16 as endorsed by FSC applies to the self-used property, and property used to generate rental income or capital increase or both is applicable for investment property set out in IAS 40 as endorsed by FSC. If each part of the property cannot be sold individually and the self-used proportion is not material, then the property is deemed as investment property in its entirety.

(20) Intangible assets

A. Computer software

Intangible assets held by the Group pertain to computer software which are stated at cost and subsequently measured using the cost model. The computer software has a finite useful life and is amortized on a straight-line basis over its estimated economic useful life of 3~7 years.

B. Goodwill

Goodwill arises from business combination accounted for using the acquisition method. Goodwill acquired in business combination shall be tested for impairment at least once a year. Impairment loss is recognized when the goodwill is impaired. Impairment loss of goodwill that has been recognized shall not be reversed.

C. Client relationship

Arising from business combination, and amortized on a straight-line basis over 30 years.

(21) Impairment of non-financial assets

- A. The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have

been if the impairment had not been recognized.

- B. The recoverable amounts of goodwill, intangible assets with an indefinite useful life and intangible assets that have not yet been available for use are evaluated periodically. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.
- C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination.

(22) Borrowings

Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

(23) Notes and accounts payable

- A. Liabilities for purchases of raw materials, goods or services and notes payables resulting from operating and non-operating activities.
- B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(24) Financial liabilities at fair value through profit or loss

- A. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorised as financial liabilities held for trading unless they are designated as hedges.
- B. At initial recognition, the Group measures the financial liabilities at fair value. All related transaction costs are recognized in profit or loss. The Group subsequently measures the financial liabilities at fair value with any gain or loss recognized in profit or loss.

(25) Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(26) Ordinary corporate bonds

Ordinary corporate bonds issued by the Group are initially recognized at fair value, net of transaction costs incurred. Ordinary corporate bonds are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is accounted for as the premium or discount on bonds payable and presented as an addition to or deduction from bonds payable, which is amortized in profit or loss as an adjustment to the 'interest expense' over the period of bond circulation using the effective interest method.

(27) Financial guarantee contracts

A financial guarantee contract is a contract that requires the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

At initial recognition, the Group measures financial guarantee contracts at fair value and

subsequently at the higher of the amount of provisions determined by the expected credit losses and the cumulative gains that were previously recognized.

(28) Non-hedging and embedded derivatives

- A. Non-hedging derivatives are initially recognized at fair value on the date a derivative contract is entered into and recorded as financial assets or financial liabilities at fair value through profit or loss. They are subsequently remeasured at fair value and the gains or losses are recognized in profit or loss.
- B. Under the financial assets, the hybrid contracts embedded with derivatives are initially recognized as financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets at amortized cost based on the contract terms.
- C. Under the non-financial assets, whether the hybrid contracts embedded with derivatives are accounted for separately at initial recognition is based on whether the economic characteristics and risks of an embedded derivative are closely related in the host contract. When they are closely related, the entire hybrid instrument is accounted for by its nature in accordance with the applicable standard. When they are not closely related, the derivative is accounted for differently from the host contract as derivative while the host contract is accounted for by its nature in accordance with the applicable standard. Alternatively, the entire hybrid instrument is designated as financial liabilities at fair value through profit or loss upon initial recognition.

(29) Hedge accounting

- A. At the inception of the hedging relationship, there is formal designation and documentation of the hedging relationship and the Group's risk management objective and strategy for undertaking the hedge. That documentation shall include identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements.

- B. The Group designates the hedging relationship as follows:

Cash flow hedge: a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction.

- C. Cash flow hedges

- (a) The cash flow hedge reserve associated with the hedged item is adjusted to the lower of the following (in absolute amounts):
 - i. The cumulative gain or loss on the hedging instrument from inception of the hedge; and
 - ii. The cumulative change in fair value of the hedged item from inception of the hedge.
- (b) The effective portion of the gain or loss on the hedging instrument is recognized in other comprehensive income. The gain or loss on the hedging instrument relating to the ineffective portion is recognized in profit or loss.
- (c) The amount that has been accumulated in the cash flow hedge reserve in accordance with item (a) is accounted for as follows:
 - i. If a hedged forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, or a hedged forecast transaction for a

non-financial asset or non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, the Group shall remove that amount from the cash flow hedge reserve and include it directly in the initial cost or other carrying amount of the asset or liability.

- ii. For cash flow hedges other than those covered by item i. above, that amount shall be reclassified from the cash flow hedge reserve to profit or loss as a reclassification adjustment in the same period or periods during which the hedged expected future cash flows affect profit or loss.
 - iii. If that amount is a loss and the Group expects that all or a portion of that loss will not be recovered in one or more future periods, it shall immediately reclassify the amount that is not expected to be recovered into profit or loss as a reclassification adjustment.
- (d) When the hedging instrument expires, or is sold, terminated, exercised or when the hedging relationship ceases to meet the qualifying criteria, if the forecast transaction is still expected to occur, the amount that has been accumulated in the cash flow hedge reserve shall remain in the cash flow hedge reserve until the forecast transaction occurs; if the forecast transaction is no longer expected to occur, the amount shall be immediately reclassified from the cash flow hedge reserve to profit or loss as a reclassification adjustment.

(30) Provisions

Provisions (provision for warranties) are recognized when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognized as interest expense. Provisions are not recognized for future operating losses. For details of provisions for other insurance liabilities, please refer to Note 4(37).

(31) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expenses in that period when the employees render service.

B. Pensions

Defined contribution plans

For defined contribution plans, the contributions are recognized as pension expenses when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

C. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Company's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of

redundancy benefits in exchange for the termination of employment. The Group recognizes expense as it can no longer withdraw an offer of termination benefits or it recognizes relating restructuring costs, whichever is earlier. Benefits that are expected to be due more than 12 months after balance sheet date shall be discounted to their present value.

D. Employees' compensation and directors' remuneration

Employees' compensation and directors' remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

(32) Classification of insurance contracts

The insurance and reinsurance businesses of the subsidiary, Hotai Insurance Co., Ltd. for insurance contracts newly issued or undertaken are accounted for in accordance with IFRS 4. They are tested in accordance with the subsidiary's internal control procedures to classify newly issued insurance products. Currently, insurance policies sold by Hotai Insurance Co., Ltd. are all insurance contracts.

Insurance contract is a contract under which one party (the insurer) accepts significant risk transferred from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder, including reinsurance contracts with a transferrable significant risk held. The definition of significant transferred risks employed by Hotai Insurance Co., Ltd. refers to an occurrence of any event or incident that leads to Hotai Insurance Co., Ltd.'s additional significant payment.

(33) Direct insurance income and expenses

A. Direct premiums are recognized in the year the insurance policies are issued without regard to the effective dates of the policies except premiums related to open cover policies which are recognized in the year they are earned. Premiums adjustments, including policy cancellations, are recorded in the year they occur.

B. Claims are accrued after the claim letters are received.

C. Commission expenses are accrued after the policies are issued.

(34) Reinsurance contract

Reinsurance premiums ceded and reinsurance premiums are recognized on the date the bills are received. A sufficient and reasonable method should be adopted to estimate reinsurance premiums ceded. Relevant revenues and expenses (such as reinsurance commission expenses and revenues, handling fee expenses and revenues, reinsurance claims recovery, etc.) shall all be recognized.

With the classification of reinsurance contracts, Hotai Insurance Co., Ltd. assesses whether significant insurance risk transferred to the reinsurer. If the significant insurance risks of reinsurance contracts are not transferred to reinsurer, the subsidiary should treat reinsurance contracts as deposit accounting.

Hotai Insurance Co., Ltd. evaluates the impairment losses and unrecoverable amounts of reinsurance reserve assets, claims recoverable from reinsurers, due from reinsurers and ceding companies and funds held by other insurance companies. When there is objective evidence, as a result of an event that occurred after initial recognition of the reinsurance asset, that the cedant may not receive all amounts due to it under the terms of the contract; and that event has a reliably measurable impact on the amounts that the cedant will receive from the reinsurer, the cedant

reduces the carrying amount accordingly and recognizes the provision for impairment loss. Allowance for doubtful debts of recoverable from the reinsurers, due from reinsurers and ceding companies and funds held by other insurance companies is recognized when the cedant may not receive all amounts.

(35) Salvage and subrogation

Salvage legally assumed from the claim procedure by direct underwriting business and subrogation legally acquired for the rights of the subject matter and relevant claims expenses are recognized when the actual recovery is definite and the amount can be reliably measured.

(36) Underwriting pools and coinsurance

Hotai Insurance Co., Ltd. has participated in the coinsurance of compulsory automobile liability insurance, residential earthquake fund, engineering insurance association, injury insurance for acts of terrorism co-insurance organizations and Nuclear Energy Insurance Federation of the Republic of China. The Company recognizes coinsurance premiums based on its participation share.

(37) Insurance liabilities

All reserves of insurance contracts that Hotai Insurance Co., Ltd. recognized are based on “Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises”, “Regulations Governing the Setting Aside and for Management of the Reserves of Compulsory Automobile Liability Insurance”, “Regulations Governing the Setting Aside of Nuclear Reserve by Property Insurance Enterprises”, “Enforcement Rules for the Risk Spreading Mechanism of Residential Earthquake Insurance”, “Notes for Strengthening Reserve of Pool Members Residential Earthquake”, “Regulations Governing Various Reserves for Commercial Earthquake Insurance and Typhoon Flood Insurance by Property Insurance Enterprises” and “Notes for Strengthening Catastrophe Reserve of Property Insurance Enterprises”, and shall be certified by actuary authorized by the Financial Supervisory Commission. Provision for reserve is also applicable for assumed reinsurance and ceded reinsurance business, but is not applicable for special reserve and liability adequacy reserve.

Except for the reserves for one-year group accident insurance which is provided based on the higher of actual insurance premium or insurance premium calculated in accordance with the Letter No. Tai-Cai-Bao-Zi-852367814, the provision for other insurance liabilities is based on the following:

A. Unearned premium reserve

Unearned premium reserve is provided based on various risk calculation for effective contracts yet to mature or covered risks yet to terminate in the coverage period based on unexpired risks of effective and unexpired contracts or covered risks.

B. Claims reserve

Claims reserve with a coverage period are provided based on claim experience and expenses of various insurance types and are calculated based on actuarial principles. Besides, reserves are provided for “claims reported but not paid” and “claims incurred but not reported”. For “claims reported but not paid”, a reserve has been provided on an individual claim basis for each type of insurance.

C. Special reserve

Special reserves includes “catastrophe reserve” and “risk claim reserve”. Except for compulsory automobile liability insurance, nuclear insurance, residential earthquake insurance and

commercial earthquake and typhoon flood insurance which are covered by other regulations requiring reserves for them to be recognized under liability, the additional provision for special reserve less income tax should be recognized as special reserve under equity after annual closing. The release of special reserve shall be made through special reserve under equity based on its net value after tax.

D. Premium deficiency reserve

Potential claims and expenses are estimated for effective contracts yet to mature and injury insurance contracts with a coverage period. If the assessed amount is more than unearned premium reserve and expected premium income, the insufficient amount is recognized as premium deficiency reserve by product types.

E. Liability adequacy reserve

In accordance with IFRS 4, 'Insurance Contracts' and the regulations of The Actuarial Institute of the Republic of China, the subsidiary's liability adequacy test is performed using the gross premium valuation method based on all contracts of the subsidiary. At the end of each reporting period, the test is performed by comparing the carrying amount of insurance liabilities less related deferred acquisition costs and related intangible assets with current estimates of future cash flows under its insurance contracts. If the carrying amount is insufficient, the provision for liability adequacy reserve for the entire deficiency is recognized in profit or loss in the period.

F. Unqualified ceded reserve

Unqualified reinsurance ceded reserve under "Regulations Governing Insurance Enterprises Engaging in Operating Reinsurance and Other Risk Spreading Mechanisms", should be disclosed in financial statements.

Among the reserves above, except for unearned premium reserve for long-term fire insurance which was calculated at a rate of 7.8% based on the coefficient table of unearned premium reserve for long-term fire insurance, the other reserves were not calculated by discounting.

(38) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries

and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

- D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.
- F. A deferred tax asset shall be recognized for the carryforward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilized.
- G. The interim period income tax expense is recognized based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.
- H. If a change in tax rate is enacted or substantively enacted in an interim period, the Group recognises the effect of the change immediately in the interim period in which the change occurs. The effect of the change on items recognized outside profit or loss is recognized in other comprehensive income or equity while the effect of the change on items recognized in profit or loss is recognized in profit or loss.

(39) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

(40) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Board of Directors. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(41) Revenue recognition

A. Sales of goods

- (a) The Group sells vehicles and related products. Sales are recognized when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

- (b) Sales revenue was recognized based on the contract price net of sales discount. Accumulated experience and other known reason is used to estimate and provide for the sales discounts and allowances, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date. A refund liability is recognized for expected sales discounts and allowances payable to customers in relation to sales made until the end of the reporting period.
- (c) The Group's obligation to provide a refund or maintenance for faulty products under the standard warranty terms is recognized as a provision.
- (d) A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.
- (e) The Group operates a loyalty programme where retail customers accumulate points for purchases made which entitle them to discount on future purchases. The points provide a material right to customers that they would not receive without entering into a contract. Therefore, the promise to provide points to the customer is a separate performance obligation. The transaction price is allocated to the product and the points on a relative stand-alone selling price basis. The stand-alone selling price per point is estimated on the basis of the discount granted when the points are redeemed and on the basis of the likelihood of redemption, based on past experience. The stand-alone selling price of the product sold is estimated on the basis of the retail price. A contract liability is recognized for the transaction price which is allocated to the points and revenue is recognized when the points are redeemed or expire.
- (f) Installment sales for vehicles - the subsidiary, Hotai Finance Co., Ltd. engages in installment sales which mainly aims to receive interest income rather than gross profit. There is no gross profit from such transactions. The accounting treatment is to recognize future proceeds from loans receivable and not to recognize sales revenue and cost of sales when the transaction occurs. When the amount of installment payment exceeds the price of cash sale, the difference is recognized as unrealized interest income and listed as a deduction to installment notes and accounts receivable, and interest is recognized using interest method annually over the installment period.

B. Service revenue

The Group provides services related to vehicles and air conditioners for vehicles. Revenue from delivering services is recognized under the percentage-of-completion method when the outcome of services provided can be estimated reliably. The stage of completion of a service contract is measured by the proportion of contract costs incurred for services performed as of the financial reporting date to the estimated total costs for the service contract. If the outcome of a service contract cannot be estimated reliably, contract revenue should be recognized only to the extent that contract costs incurred are likely to be recoverable.

C. Recognition of premium revenue and deferred acquisition cost of the insurance business of Hotai Insurance Co., Ltd. were as follows:

- (a) For the revenue recognition policies on insurance and reinsurance contracts, please refer to Notes 4(33) and (34).
- (b) Commission revenue is recognized on the accrual basis of the service period.

D. Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year or one operating period. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

(42) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision-Maker. The Group's Chief Operating Decision-Maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

5. Critical Accounting Judgements, Estimates and Key Sources of Assumption Uncertainty

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) Critical judgements in applying the Group's accounting policies

None.

(2) Critical accounting estimates and assumptions

A. Revenue recognition

The Group estimates sales discounts and returns refund liabilities for sales returns based on historical results and other known factors. Provisions for such liabilities are recorded as a deduction item to sales revenues when the sales are recognized. The Group reassesses the reasonableness of estimates of discounts and returns periodically. Please refer to Note 6(28) for the information of sales of goods.

B. Provisions for warranty

In order to enhance customers' confidence on the quality of products, the Company provides additional warranty services apart from the warranty offered by the original manufacturer. Provisions for warranty is estimated based on historical information regarding the nature, frequency, and average cost of claims for each vehicle line by model year, and is revaluated on a regular basis. Please refer to Note 6(23) "Provisions" for more information.

C. Evaluation of allowance for uncollectible accounts

The subsidiary, Hotai Finance Co., Ltd., provides loss allowance for uncollectible accounts based on the forecast factors such as past due days and future economic conditions to assess the default possibility of accounts receivable. The subsidiary recognizes loss allowance individually after the management assesses the customers' financial condition or payment situation which indicate that the accounts receivable may not be recovered. Given the evaluation process involves estimates and predictions of the past events, current conditions and future overall economic situation, changes might arise due to the difference between the actual results and estimates. Please refer to Note 6(5) for the information of evaluation of allowance for uncollectible accounts.

D. Insurance liabilities

The estimates and significant assumptions of Hotai Insurance Co., Ltd.'s insurance contracts are used for claim reserve liabilities and claim reserve assets ceded.

The claim reserve liabilities are estimated through adoption of internationally accepted actuarial methods, nature or location of insurance risks, claim payment development module, experience data, and etc., which resulted in a reasonable ultimate claims paid amount and expected loss ratio. The calculation for reported but not paid claims are based on the experience of claim handling experts by each case and the remaining shall be incurred but not reported reserve.

For claim reserve assets ceded, the amounts recoverable from reinsurers for reported but not paid claims are estimated by each insurance case, and the amounts recoverable from reinsurers for incurred but not reported claims are estimated based on the difference between the reserve for incurred but not reported claims and the reserve for incurred but not reported claims for retention business.

Hotai Insurance Co., Ltd.'s significant assumptions for claims reserve include:

- (a) Loss development factors: properly chosen loss development factors based on experience over the past few years.
- (b) Expected loss ratio for each insurance line of business and accident year: the expected loss ratio is selected based on the historical loss trends of each insurance line of business and accident years.

The abovementioned assumptions exclude earthquake insurances, compulsory automobile insurances and nuclear insurances, while their reserves are provided in accordance with the regulatory requirements.

Analysis of insurance risk sensitivity is provided in Note 12(6) B.

6. Details of Significant Accounts

(1) Cash and cash equivalents

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Cash on hand and revolving funds	\$ 13,299	\$ 15,510	\$ 13,957
Checking accounts and demand deposits	9,025,661	9,314,635	6,738,034
Cash equivalents			
Time deposits	811,744	775,298	2,406,842
Short-term notes and bills	<u>5,212,351</u>	<u>8,420,548</u>	<u>5,074,965</u>
	<u>\$ 15,063,055</u>	<u>\$ 18,525,991</u>	<u>\$ 14,233,798</u>

- A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.
- B. As of September 30, 2021, December 31, 2020 and September 30, 2020, the Group presented its long-term time deposits of \$1,839,336, \$1,710,579 and \$1,682,032, respectively, under other financial assets-current and non-current.
- C. Of the short-term notes held by the Company's subsidiary, Hotai Insurance Co., Ltd., investments in notes issued under reverse repurchase agreements have obtained notes as collateral. The maximum exposure amount after receiving financial collateral is the net amount after offsetting. For related explanations, please refer to Note 6(6).

(2) Financial instruments at fair value through profit or loss

<u>Items</u>	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Financial assets at fair value through profit or loss			
Current items:			
Financial assets mandatorily measured at fair value through profit or loss			
Domestic and foreign beneficiary certificates	\$ 3,441,312	\$ 3,235,836	\$ 3,136,328
Derivative instruments	21,204	14,119	18,701
Financial instruments	1,410,304	695,943	159,010
Listed stocks	1,626,192	390,283	899,900
Listed preference share	59,980	59,980	59,980
Exchange Traded Funds	1,509,667	1,016,921	1,100,789
Valuation adjustment	<u>384,580</u>	<u>400,369</u>	<u>128,937</u>
	<u>\$ 8,453,239</u>	<u>\$ 5,813,451</u>	<u>\$ 5,503,645</u>

Non-current items:

Financial assets mandatorily measured at fair value through profit or loss

Corporate bonds	<u>\$ 1,038,055</u>	<u>\$ 1,051,390</u>	<u>\$ 1,000,000</u>
-----------------	---------------------	---------------------	---------------------

Financial liabilities at fair value through profit or loss

Current items:

Financial liabilities held for trading

Derivative instruments	<u>\$ 8,323</u>	<u>\$ 62,171</u>	<u>\$ 74,917</u>
------------------------	-----------------	------------------	------------------

A. Amounts recognized in profit or loss in relation to financial instruments at fair value through profit or loss are listed below:

<u>Items</u>	<u>Three months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Financial instruments mandatorily measured at fair value through profit or loss		
Derivative instruments	(\$ 18,301)	\$ 33,070
Domestic and foreign beneficiary certificates	(59,053)	63,190
Listed stocks	(24,837)	9,463
Listed preference share	(1,319)	(2,136)
Exchange Traded Funds	(58,926)	117,250
Corporate bonds	<u>4,348</u>	<u>8,566</u>
	<u>(\$ 158,088)</u>	<u>\$ 229,403</u>

Items	Nine months ended September 30,	
	2021	2020
Financial instruments mandatorily measured at fair value through profit or loss		
Derivative instruments	\$ 73,393	\$ 101,680
Domestic and foreign beneficiary certificates	25,303	35,640
Listed stocks	405,983	37,919
Listed preference share	(936)	(1,623)
Exchange Traded Funds	146,747	90,839
Corporate bonds	21,129	25,721
	<u>\$ 671,619</u>	<u>\$ 290,176</u>

B. The Group entered into contracts relating to derivative instruments which were not accounted for under hedge accounting. The information is listed below:

<u>Derivative instruments</u>	September 30, 2021	
	Contract amount (Notional principal) (in thousands)	Contract period
Current items:		
Forward foreign exchange contracts	<u>USD 205,605</u>	2021.06.18~2022.01.14
Foreign exchange swap contracts	<u>USD 25,010</u>	2021.07.01~2021.12.28

<u>Derivative instruments</u>	December 31, 2020	
	Contract amount (Notional principal) (in thousands)	Contract period
Current items:		
Forward foreign exchange contracts	<u>USD 383,750</u>	2020.09.23~2021.04.14
Foreign exchange swap contracts	<u>USD 24,000</u>	2020.10.14~2021.03.31

<u>Derivative instruments</u>	September 30, 2020	
	Contract amount (Notional principal) (in thousands)	Contract period
Current items:		
Forward foreign exchange contracts	<u>USD 341,701</u>	2020.06.18~2021.01.14
Foreign exchange swap contracts	<u>USD 23,250</u>	2020.08.04~2020.12.31

The Group entered into forward foreign exchange contracts to buy USD to hedge exchange rate risk of import proceeds and foreign investments. In addition, Hotai Insurance Co., Ltd. entered into foreign exchange swap contracts to hedge exchange rate risk of foreign investments. However, these forward foreign exchange contracts and foreign exchange swap contracts are

not accounted for under hedge accounting.

C. The Group has no financial assets at fair value through profit or loss pledged to others.

D. Information relating to credit risk of financial assets at fair value through profit or loss is provided in Note 12(2)C.

E. On September 30, 2021, December 31, 2020 and September 30, 2020, such financial assets designated using overlay approach are as follows:

<u>Items</u>	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Financial assets at fair value through profit or loss designated using overlay approach			
Listed stocks	\$ 1,349,649	\$ 294,881	\$ 804,498
Listed preference shares	59,980	59,980	59,980
Exchange Traded Funds	1,509,667	1,016,921	1,100,789
Domestic and foreign beneficiary certificates	1,975,852	1,643,266	1,529,898
Corporate bonds	500,000	500,000	500,000
Valuation adjustment	<u>379,192</u>	<u>419,699</u>	<u>113,206</u>
	<u>\$ 5,774,340</u>	<u>\$ 3,934,747</u>	<u>\$ 4,108,371</u>

For the three months and nine months ended September 30, 2021 and 2020, the reclassifications between profit or loss and other comprehensive income of such financial assets designated using overlay approach are as follows:

	<u>Three months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
(Losses) gains recognized in profit or loss under IFRS 9	(\$ 112,330)	\$ 209,824
Less: Gains recognized in profit or loss under IAS 39	<u>110,371</u>	<u>212,571</u>
Loss reclassified under overlay approach	(\$ <u>222,701</u>)	(\$ <u>2,747</u>)
Effect from change in tax	<u>\$ 107</u>	<u>\$ 2,639</u>

	<u>Nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Gains recognized in profit or loss under IFRS 9	\$ 605,557	\$ 209,601
Less: Gains recognized in profit or loss under IAS 39	<u>646,064</u>	<u>265,078</u>
Loss reclassified under overlay approach	(\$ <u>40,507</u>)	(\$ <u>55,477</u>)
Effect from change in tax	<u>\$ 2,262</u>	<u>\$ 3,665</u>

F. In accordance with IFRS 12 'Disclosure of interests in other entities', information on equity of the structured entities which were not controlled by the Group is as follows:

(a)

Type of structured entities	Book value at September 30, 2021	Book value at December 31, 2020	Book value at September 30, 2020	Description
Infrastructure fund	\$ 329,034	\$ 316,514	\$ 320,871	Investment fund is set for raising capital, and investors acquire long-term capital gains through investing in restricted fund.
Real estate private placement fund	\$ 98,403	\$ 67,029	\$ 54,159	Investment fund is set for raising capital, and investors acquire long-term capital gains through investing in restricted fund.

(b) The intention of the Group for holding these structured entities is for earning investment income.

(c) The Group recognized equity of the structured entities which were not consolidated into the financial statements under financial assets at fair value through profit or loss. The maximum exposed risk of such entities is the carrying amount of held assets, and the related risk exposure of the investment position is restricted by contract terms and issuance terms. Please refer to Note 12 for more information.

(3) Financial assets at fair value through other comprehensive income

Items	September 30, 2021	December 31, 2020	September 30, 2020
Current items:			
Debt instrument			
Foreign financial bonds	\$ 81,027	\$ 28,137	\$ 29,062
Valuation adjustment (including loss allowance)	1,167	497	632
	<u>\$ 82,194</u>	<u>\$ 28,634</u>	<u>\$ 29,694</u>
Non-current items:			
Debt instrument			
Government bonds	\$ 365,023	\$ 368,658	\$ 369,895
Corporate bonds	303,261	305,076	305,555
Financial bonds	505,689	506,990	507,411
Foreign corporate and financial bonds	630,614	660,552	658,589
	1,804,587	1,841,276	1,841,450
Valuation adjustment (including loss allowance)	41,787	60,780	57,556
Less: Operation bonds	(300,300)	(300,300)	(300,300)
	<u>1,546,074</u>	<u>1,601,756</u>	<u>1,598,706</u>
Equity instruments			
Listed stocks and unlisted stocks	6,440,379	6,440,861	6,441,336
Valuation adjustment	2,654,916	1,648,277	691,743
	<u>9,095,295</u>	<u>8,089,138</u>	<u>7,133,079</u>
	<u>\$ 10,641,369</u>	<u>\$ 9,690,894</u>	<u>\$ 8,731,785</u>

A. The Group has elected to classify equity instruments that are considered to be strategic investments and steady dividend income as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$9,095,295 \$8,089,138 and \$7,133,079, respectively, as at September 30, 2021, December 31, 2020, and September 30, 2020.

B. Amounts recognized in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

<u>Items</u>	<u>Three months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Debt instruments at fair value through other comprehensive income		
Fair value change recognized in other comprehensive income	(\$ 4,525)	\$ 6,236
Cumulative other comprehensive income reclassified to profit or loss		
Reclassified due to impairment recognition	(9)	(5)
Reclassified due to derecognition	<u>12</u>	<u>(4)</u>
	<u>(\$ 4,522)</u>	<u>\$ 6,227</u>
Interest income recognized in profit or loss	<u>\$ 8,686</u>	<u>\$ 9,022</u>

<u>Items</u>	<u>Nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Debt instruments at fair value through other comprehensive income		
Fair value change recognized in other comprehensive income	(\$ 15,816)	\$ 22,820
Cumulative other comprehensive income reclassified to profit or loss		
Reclassified due to impairment recognition	17	(70)
Reclassified due to derecognition	<u>(2,508)</u>	<u>(2,206)</u>
	<u>(\$ 18,307)</u>	<u>\$ 20,544</u>
Interest income recognized in profit or loss	<u>\$ 26,549</u>	<u>\$ 27,366</u>

<u>Items</u>	<u>Three months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Equity instruments at fair value through other comprehensive income		
Fair value change recognized in other comprehensive income	<u>\$ 119,917</u>	<u>\$ 143,491</u>

<u>Items</u>	<u>Nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Equity instruments at fair value through other comprehensive income		
Fair value change recognized in other comprehensive income	<u>\$ 1,005,113</u>	<u>(\$ 710,380)</u>

C. Under the Insurance Law of the Republic of China, Hotai Insurance Co., Ltd. is required to deposit 15% of its registered operating capital with the Central Bank of Republic of China. As of September 30, 2021, government bonds with par value of \$300,300 were deposited.

D. Information relating to credit risk of financial assets at fair value through other comprehensive income is provided in Note 12(2)C.

(4) Hedging financial assets and liabilities

	<u>September 30, 2021</u>		<u>December 31, 2020</u>		<u>September 30, 2020</u>	
	<u>Current assets</u>	<u>Current liabilities</u>	<u>Current assets</u>	<u>Current liabilities</u>	<u>Current assets</u>	<u>Current liabilities</u>
Cash flow hedges						
<u>Exchange rate risk and interest rate risk</u>						
Cross currency swaps	\$	-(\$ 282,066)	\$	-(\$ 355,051)	\$ 33,537	(\$ 227,352)

A. Hedge accounting is applied to remove the accounting inconsistency between the hedging instrument and the hedged item. As the Group's USD and JPY denominated borrowings are exposed to the impact of variable exchange rate and interest rates, the Group uses cross currency swap to control the exchange rate risk and interest rates under their acceptable range.

B. Transaction information associated with the Group adopting hedge accounting is as follows:

	<u>September 30, 2021</u>				<u>Nine months ended September 30, 2021</u>			
	<u>Notional amount (in thousand dollars)</u>	<u>Contract period</u>	<u>Assets carrying amount</u>	<u>Liabilities carrying amount</u>	<u>Changes in fair value in relation to recognizing hedge ineffectiveness basis</u>	<u>Average exchange rates</u>	<u>Average interest rate</u>	<u>Gains (losses) on valuation of ineffective hedge that will be recognized in financial assets/liabilities at fair value through profit or loss</u>
Hedging instruments								
Cash flow hedges :								
<u>Exchange rate risk and interest rate risk</u>								
Cross currency swaps transactions	JPY 3,800,000	2020/8/5 ~2023/8/7	\$ -	(\$ 126,009)	\$ -	0.28	1.08	\$ -
	JPY 30,000,000	2021/9/30 ~2024/9/9	-	(156,057)	-	0.25	0.83	-

	<u>September 30, 2021</u>	
	<u>Liabilities carrying amount</u>	<u>Valuation on liabilities' carrying amount due to fair value hedges</u>
Hedged items		
Cash flow hedges		
<u>Exchange rates risk and interest rate risk</u>		
Short-term borrowings	\$ 8,635,200	\$ 221,240

		December 31, 2020				Year ended December 31, 2020			
		Notional amount (in thousand dollars)	Contract period	Assets carrying amount	Liabilities carrying amount	Changes in fair value in relation to recognizing hedge ineffectiveness basis	Average exchange rates	Average interest rate	Gains (losses) on valuation of ineffective hedge that will be recognized in financial assets/liabilities at fair value through profit or loss
Hedging instruments									
Cash flow hedges :									
<u>Exchange rate risk and interest rate risk</u>									
Cross currency swaps transactions									
USD	18,000	2019/1/7~2021/6/18	\$	- (\$ 30,938)	\$	-	6.87	4.35	\$ -
USD	165,000	2018/4/16~2021/9/17		- (303,224)		-	29.20~30.77	0.92~1.18	-
JPY	3,800,000	2020/8/5~2023/8/7		- (20,889)		-	0.28	1.08	-

		December 31, 2020	
		Liabilities carrying amount	Valuation on liabilities' carrying amount due to fair value hedges
Hedged items			
Cash flow hedges			
<u>Exchange rates risk and interest rate risk</u>			
Short-term borrowings		\$ 6,575,433	(\$ 376,992)

		September 30, 2020				Nine months ended September 30, 2020			
		Notional amount (in thousand dollars)	Contract period	Assets carrying amount	Liabilities carrying amount	Changes in fair value in relation to recognizing hedge ineffectiveness basis	Average exchange rates	Average interest rate	Gains (losses) on valuation of ineffective hedge that will be recognized in financial assets/liabilities at fair value through profit or loss
Hedging instruments									
Cash flow hedges :									
<u>Exchange rate risk and interest rate risk</u>									
Cross currency swaps transactions									
USD	18,000	2019/1/7~2021/6/18	\$	- (\$ 9,029)	\$	-	6.87	4.35	\$ -
USD	165,000	2018/4/16~2021/9/17		33,537 (195,027)		-	29.20~30.77	0.92~1.18	-
JPY	3,800,000	2020/8/5~2023/8/7		- (23,296)		-	0.28	1.08	-

		September 30, 2020	
		Liabilities carrying amount	Valuation on liabilities' carrying amount due to fair value hedges
Hedged items			
Cash flow hedges			
<u>Exchange rates risk and interest rate risk</u>			
Short-term borrowings		\$ 6,563,443	(\$ 211,538)

C. Cash flow hedges

	<u>2021</u>	<u>2020</u>
<u>Other equity - cash flow hedge reserve</u>		
At January 1	\$ 16,894	\$ 9,376
Less: Losses on hedge effectiveness-amount recognized in other comprehensive income	(82,632)	(24,960)
Less: Reclassified to profit or loss as the hedged item has affected profit or loss	(207)	30,272
Add: Income tax relating to the hedge effectiveness-amount recognized in other comprehensive income	<u>17,284</u>	<u>(1,354)</u>
At September 30	<u>(\$ 48,661)</u>	<u>\$ 13,334</u>

To hedge exposed exchange rate risk and interest rate risk arising from short-term borrowings, the Group entered into a cross currency swap agreement. The effective portion with respect to the changes in the fair value of the hedging instruments is deferred to recognize in the cash flow hedge reserve, which is under other comprehensive income, and will be directly included in gain or loss on foreign exchange and finance costs when the hedged items, principal and interest are subsequently paid.

(5) Notes and accounts receivable, net (including related parties)

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Notes receivable	\$ 3,000,032	\$ 1,720,158	\$ 3,095,339
Installment notes receivable	8,297,975	6,678,063	6,741,579
Accounts receivable	5,766,428	4,489,410	4,897,158
Installment accounts receivable	166,564,650	139,688,508	132,355,857
Lease payments and notes receivable	22,069,480	19,086,023	17,576,649
Premiums receivable	675,297	611,684	550,525
Overdue receivable	<u>66,981</u>	<u>24,009</u>	<u>39,592</u>
	206,440,843	172,297,855	165,256,699
Less: Unrealized interest income	(17,471,775)	(14,087,414)	(13,334,670)
Unearned finance income	(2,198,886)	(2,108,226)	(1,890,631)
Allowance for doubtful accounts	<u>(3,626,253)</u>	<u>(3,414,181)</u>	<u>(3,225,680)</u>
Notes and accounts receivable, net	<u>\$ 183,143,929</u>	<u>\$ 152,688,034</u>	<u>\$ 146,805,718</u>
	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Current	<u>\$ 179,562,347</u>	<u>\$ 150,393,007</u>	<u>\$ 144,629,214</u>
Non-current (shown as other assets)	<u>\$ 3,581,582</u>	<u>\$ 2,295,027</u>	<u>\$ 2,176,504</u>

As of September 30, 2021, December 31, 2020 and September 30, 2020, the subsidiary - Hotai Finance Co., Ltd.'s notes receivable were pledged as collateral for loans and issuance of commercial papers to banks amounted to \$5,181,384, \$3,497,571 and \$3,471,594, respectively. Information on the Group's notes and accounts receivable pledged as collateral is provided in Note 8.

A. The aging analysis of receivables that were past due but not impaired is as follows:

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
	<u>Receivables</u>	<u>Receivables</u>	<u>Receivables</u>
Not past due	\$ 202,678,092	\$ 170,564,149	\$ 160,498,636
Up to 30 days	1,930,349	129,508	2,468,535
31 to ~ 90 days	1,011,860	686,056	1,181,020
91 to ~ 180 days	430,794	400,636	490,468
Over 180 days	<u>389,748</u>	<u>517,506</u>	<u>618,040</u>
	<u>\$ 206,440,843</u>	<u>\$ 172,297,855</u>	<u>\$ 165,256,699</u>

The above aging analysis was based on past due date.

B. As of September 30, 2021, December 31, 2020 and September 30, 2020, the balances of receivables (including notes receivable) from contracts with customers amounted to \$8,830,731, \$6,245,225 and \$8,105,998, respectively.

C. The expected recovery of the Group's installment notes and accounts receivable is as follows:

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Up to 12 months	\$ 60,495,020	\$ 52,888,428	\$ 50,828,916
Over 12 months	<u>114,367,605</u>	<u>93,478,143</u>	<u>88,268,520</u>
	<u>\$ 174,862,625</u>	<u>\$ 146,366,571</u>	<u>\$ 139,097,436</u>

D. Lease payments receivable

Refer to Note 6(13) for more details.

E. Information relating to credit risk of accounts receivable and notes receivable is provided in Note 12(2)C.

(6) Offsetting financial assets and financial liabilities

A. The derivatives and reverse repurchase agreement held by the Group do not conform to the offsetting requirements under paragraph 42 of IAS 32. However, the subsidiary has entered into enforceable master netting arrangements or similar agreements with counterparties. Upon the event of a delinquency (default, insolvency or bankruptcy) of a party, the counterparties may set-off the netting arrangement or pursue legal action against the collateral. The related amount of the collateral received (paid) is its fair value. However, the offsetting amount is limited to recognized financial assets (liabilities).

B. Financial assets and financial liabilities subject to master netting arrangements are as follows:

September 30, 2021						
Financial assets						
Description	Gross amounts of recognized financial assets (a)	Gross amounts of recognized financial liabilities set off (b)	Net amounts of financial assets presented in the balance sheet (c)=(a)-(b)	Not set off in the balance sheets		Net amount (f)=(c)-(d)-(e)
				Financial instruments (d)	Collateral received (e)	
Derivative instruments	\$ 991	\$ -	\$ 991	\$ 991	\$ -	\$ -
Reverse repurchase agreement	<u>2,362,515</u>	<u>-</u>	<u>2,362,515</u>	<u>-</u>	<u>2,362,515</u>	<u>-</u>
	<u>\$2,363,506</u>	<u>\$ -</u>	<u>\$ 2,363,506</u>	<u>\$ 991</u>	<u>\$2,362,515</u>	<u>\$ -</u>

Financial liabilities						
Description	Gross amounts of recognized financial liabilities (a)	Gross amounts of recognized financial assets set off (b)	Net amounts of financial liabilities presented in the balance sheet (c)=(a)-(b)	Not set off in the balance sheets		Net amount (f)=(c)-(d)-(e)
				Financial Instruments (d)	Collateral received (e)	
Derivative instruments	\$ 1,135	\$ -	\$ 1,135	\$ 991	\$ -	\$ 144

December 31, 2020						
Financial assets						
Description	Gross amounts of recognized financial assets (a)	Gross amounts of recognized financial liabilities set off (b)	Net amounts of financial assets presented in the balance sheet (c)=(a)-(b)	Not set off in the balance sheets		Net amount (f)=(c)-(d)-(e)
				Financial instruments (d)	Collateral received (e)	
Reverse repurchase agreement	\$ 2,695,901	\$ -	\$ 2,695,901	\$ -	\$2,695,901	\$ -

September 30, 2020						
Financial assets						
Description	Gross amounts of recognized financial assets (a)	Gross amounts of recognized financial liabilities set off (b)	Net amounts of financial assets presented in the balance sheet (c)=(a)-(b)	Not set off in the balance sheets		Net amount (f)=(c)-(d)-(e)
				Financial instruments (d)	Collateral received (e)	
Reverse repurchase agreement	\$ 2,407,077	\$ -	\$ 2,407,077	\$ -	\$2,407,063	\$ 14

(7) Inventories

	<u>September 30, 2021</u>		
	<u>Cost</u>	<u>Allowance for valuation loss</u>	<u>Book value</u>
Vehicles and parts	\$ 4,920,585	(\$ 122,213)	\$ 4,798,372
Air conditioners and parts	2,732,388	(338,795)	2,393,593
Other goods	361,099	(5,116)	355,983
Inventory in transit	<u>761,732</u>	<u>-</u>	<u>761,732</u>
	<u>\$ 8,775,804</u>	<u>(\$ 466,124)</u>	<u>\$ 8,309,680</u>

	<u>December 31, 2020</u>		
	<u>Cost</u>	<u>Allowance for valuation loss</u>	<u>Book value</u>
Vehicles and parts	\$ 9,079,732	(\$ 101,747)	\$ 8,977,985
Air conditioners and parts	2,457,924	(338,794)	2,119,130
Other goods	193,747	(9,361)	184,386
Inventory in transit	<u>574,652</u>	<u>-</u>	<u>574,652</u>
	<u>\$ 12,306,055</u>	<u>(\$ 449,902)</u>	<u>\$ 11,856,153</u>

	<u>September 30, 2020</u>		
	<u>Cost</u>	<u>Allowance for valuation loss</u>	<u>Book value</u>
Vehicles and parts	\$ 3,880,138	(\$ 101,226)	\$ 3,778,912
Air conditioner and parts	2,623,920	(338,947)	2,284,973
Other goods	274,845	(8,905)	265,940
Inventory in transit	<u>2,090,376</u>	<u>-</u>	<u>2,090,376</u>
	<u>\$ 8,869,279</u>	<u>(\$ 449,078)</u>	<u>\$ 8,420,201</u>

A. Above listed inventories were not pledged to others as collateral.

B. The cost of inventories recognized as expense for the period:

	<u>Three months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Cost of goods sold	\$ 40,291,780	\$ 41,680,643
Loss on market value decline of inventories	<u>10,545</u>	<u>7,151</u>
	<u>\$ 40,302,325</u>	<u>\$ 41,687,794</u>

	<u>Nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Cost of goods sold	\$ 138,817,513	\$ 127,864,859
Loss on market value decline of inventories	<u>16,222</u>	<u>11,022</u>
	<u>\$ 138,833,735</u>	<u>\$ 127,875,881</u>

(8) Prepayments

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Prepayments to commissions	\$ 3,201,691	\$ 3,369,649	\$ 3,279,612
Prepayments to suppliers	3,066,014	2,725,308	2,458,148
Offset against business tax payable	713,746	998,340	641,399
Prepaid insurance premiums	543,352	437,142	409,503
Other prepayments	1,211,601	736,366	958,410
	<u>\$ 8,736,404</u>	<u>\$ 8,266,805</u>	<u>\$ 7,747,072</u>

(9) Reinsurance contract assets and insurance liabilities

A. Details of reinsurance contract assets are as follows:

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Claims recoverable from reinsurers	\$ 142,761	\$ 111,906	\$ 109,438
Due from reinsurance and ceding companies	96,746	70,109	98,649
Reinsurance reserve assets			
-Ceded unearned premium reserve	1,163,152	1,070,363	1,063,632
-Ceded claims reserve	1,618,161	900,591	889,909
Due from reinsurance and ceding companies-overdue	10,627	19,611	16,471
	<u>3,031,447</u>	<u>2,172,580</u>	<u>2,178,099</u>
Less: Loss allowance	(11,179)	(16,792)	(15,312)
	<u>\$ 3,020,268</u>	<u>\$ 2,155,788</u>	<u>\$ 2,162,787</u>

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Current	\$ 2,146,075	\$ 1,600,071	\$ 1,537,423
Non-current (shown as other assets)	\$ 874,193	\$ 555,717	\$ 625,364

For the credit risk of reinsurance contract assets, please refer to Note 12(5).

B. Movements of loss allowance/allowance for bad debts of reinsurance contract assets are as follows:

	<u>2021</u>	<u>2020</u>
At January 1	\$ 16,792	\$ 14,258
Provision during the period	(5,613)	1,054
At September 30	<u>\$ 11,179</u>	<u>\$ 15,312</u>

C. Details of insurance liabilities are as follows:

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Unearned premium reserve	\$ 5,897,129	\$ 5,483,854	\$ 5,179,805
Claims reserve	5,105,814	3,655,621	3,451,744
Special reserve	<u>1,907,982</u>	<u>1,913,531</u>	<u>1,913,612</u>
	<u>\$ 12,910,925</u>	<u>\$ 11,053,006</u>	<u>\$ 10,545,161</u>
	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Current (shown as other current liabilities)	<u>\$ 8,438,174</u>	<u>\$ 7,238,192</u>	<u>\$ 6,920,770</u>
Non-current (shown as provisions)	<u>\$ 4,472,751</u>	<u>\$ 3,814,814</u>	<u>\$ 3,624,391</u>

D. Movements of ceded unearned premium reserve and unearned premium reserve are as follows:

	<u>2021</u>		
	<u>Gross amount</u>	<u>Ceded amount</u>	<u>Net amount</u>
At January 1	\$ 5,483,854	\$ 1,070,363	\$ 4,413,491
Provision during the period	5,897,129	1,163,152	4,733,977
Recovery during the period	<u>(5,483,854)</u>	<u>(1,070,363)</u>	<u>(4,413,491)</u>
At September 30	<u>\$ 5,897,129</u>	<u>\$ 1,163,152</u>	<u>\$ 4,733,977</u>
	<u>2020</u>		
	<u>Gross amount</u>	<u>Ceded amount</u>	<u>Net amount</u>
At January 1	\$ 4,393,809	\$ 899,632	\$ 3,494,177
Provision during the period	5,179,805	1,063,632	4,116,173
Recovery during the period	<u>(4,393,809)</u>	<u>(899,632)</u>	<u>(3,494,177)</u>
At September 30	<u>\$ 5,179,805</u>	<u>\$ 1,063,632</u>	<u>\$ 4,116,173</u>

E. Details of claims reserve and movements of ceded claims reserve and claims reserve are as follows:

(a) As of September 30, 2021, December 31, 2020 and September 30, 2020, details of claims reserve and ceded claims reserve are as follows:

	<u>September 30, 2021</u>		
	<u>Gross amount</u>	<u>Ceded amount</u>	<u>Net amount</u>
Reported but not paid	\$ 2,377,829	\$ 786,332	\$ 1,591,497
Incurred but not reported	<u>2,727,985</u>	<u>831,829</u>	<u>1,896,156</u>
	<u>\$ 5,105,814</u>	<u>\$ 1,618,161</u>	<u>\$ 3,487,653</u>
	<u>December 31, 2020</u>		
	<u>Gross amount</u>	<u>Ceded amount</u>	<u>Net amount</u>
Reported but not paid	\$ 1,923,789	\$ 388,086	\$ 1,535,703
Incurred but not reported	<u>1,731,832</u>	<u>512,505</u>	<u>1,219,327</u>
	<u>\$ 3,655,621</u>	<u>\$ 900,591</u>	<u>\$ 2,755,030</u>

	<u>September 30, 2020</u>		
	<u>Gross amount</u>	<u>Ceded amount</u>	<u>Net amount</u>
Reported but not paid	\$ 1,743,449	\$ 316,910	\$ 1,426,539
Incurred but not reported	<u>1,708,295</u>	<u>572,999</u>	<u>1,135,296</u>
	<u>\$ 3,451,744</u>	<u>\$ 889,909</u>	<u>\$ 2,561,835</u>

(b) Movements of claims reserve and ceded claims reserve are as follows:

	<u>2021</u>		
	<u>Gross amount</u>	<u>Ceded amount</u>	<u>Net amount</u>
At January 1	\$ 3,655,621	\$ 900,591	\$ 2,755,030
Provision during the period	5,105,814	1,618,161	3,487,653
Recovery during the period	(3,655,621)	(900,591)	(2,755,030)
At September 30	<u>\$ 5,105,814</u>	<u>\$ 1,618,161</u>	<u>\$ 3,487,653</u>

	<u>2020</u>		
	<u>Gross amount</u>	<u>Ceded amount</u>	<u>Net amount</u>
At January 1	\$ 3,091,211	\$ 707,719	\$ 2,383,492
Provision during the period	3,451,744	889,909	2,561,835
Recovery during the period	(3,091,211)	(707,719)	(2,383,492)
At September 30	<u>\$ 3,451,744</u>	<u>\$ 889,909</u>	<u>\$ 2,561,835</u>

F. Movement of special reserve is as follows:

	<u>2021</u>	<u>2020</u>
At January 1	\$ 1,913,531	\$ 1,913,192
Provision during the period	-	1,614
Recovery during the period	(5,549)	(1,194)
At September 30	<u>\$ 1,907,982</u>	<u>\$ 1,913,612</u>

For Hotai Insurance Co., Ltd., the insurance types of the special reserve include compulsory automobile liability insurance, nuclear insurance, policy earthquake insurance and typhoon and flood insurance.

G. Pursuant to Jin-Guan-Pao-Tsai Letter No. 10102515061, "Guidelines for Strengthening Catastrophe Reserve of Property Insurance Enterprises", special reserve recognized under liabilities shall first be used to make up required catastrophe reserve and risk claim reserve for commercial earthquake insurance and typhoon flood insurance. The remaining, net of income tax, shall be recognized as special reserve under stockholders' equity in accordance with IAS 12.

If the above is not taken into consideration, the effects on liabilities, equity, profit and earnings per share to Hotai Insurance Co., Ltd. are as follows:

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Decrease in special reserve under liability	\$ 379,789	\$ 380,983	\$ 381,382
Increase in special reserve under retained earnings	315,405	316,360	316,679

	<u>Three months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Increase in net income before tax	\$ 398	\$ 398
Increase in earnings per share before tax	0.02	0.02

	<u>Nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Increase in net income before tax	\$ 1,194	\$ 1,194
Increase in earnings per share before tax	0.06	0.06

H. Pursuant to Jin-Guan-Pao-Chan Letter No. 10102531541, “Guidelines for Strengthening Reserve of Pool Members Residential Earthquake” and Jin-Guan-Pao-Tsai Letter No. 10102517091, “Regulations Governing the Setting Aside of Nuclear Reserve by Property Insurance Enterprises”, Hotai Insurance Co., Ltd. maintains a special reserve for the residential earthquake insurance and nuclear insurance provisioned under insurance liabilities as of September 30, 2021, December 31, 2020 and September 30, 2020.

If the above is not taken into consideration, the effects on liabilities, equity and profit to Hotai Insurance Co., Ltd. are as follows:

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Decrease in special reserve under liability	\$ 223,894	\$ 223,894	\$ 223,894
Increase in special reserve under retained earnings	185,832	185,832	185,832

Both special reserve of the residential earthquake insurance and nuclear insurance have no provision or recovery and have no effect on net income before tax and earnings per share before tax for the nine months ended September 30, 2021 and 2020.

(10) Investments accounted for using the equity method

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Kuozui Motors, Ltd.	\$ 5,321,077	\$ 4,590,681	\$ 4,384,664
Central Motor Co., Ltd.	2,614,642	2,609,115	2,586,661
Tau Miau Motor Co., Ltd.	1,626,401	1,608,001	1,538,464
Kau Du Automobile Co., Ltd.	1,388,934	1,392,909	1,371,530
Kuotu Motor Co., Ltd.	1,272,641	1,238,822	1,197,208
Taipei Toyota Motor Co., Ltd.	1,148,444	1,157,264	1,109,196
Nan Du Motor Co., Ltd.	1,092,041	1,086,633	1,045,866
Lang Yang Toyota Motor Co., Ltd.	297,254	301,130	295,968
Formosa Flexible Packaging Corp.	384,760	378,824	366,399
Shi-Ho Screw Industrial Co., Ltd.	126,426	125,983	122,349
Yokohama Tire Taiwan Co., Ltd., etc.	1,838,584	1,839,165	1,762,442
	<u>\$ 17,111,204</u>	<u>\$ 16,328,527</u>	<u>\$ 15,780,747</u>

A. The carrying amount of the Group's interests in all individually immaterial associates and the Group's share of the financial performance are summarized as follows:

As of September 30, 2021, December 31, 2020 and September 30, 2020, the carrying amount of the Group's individually immaterial associates amounted to \$17,111,204, \$16,328,527 and \$15,780,747, respectively.

	<u>Three months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Comprehensive income for the period	<u>\$ 282,820</u>	<u>\$ 241,828</u>

	<u>Nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Comprehensive income for the period	<u>\$ 1,484,570</u>	<u>\$ 841,333</u>

B. The Group's investments have no quoted market price. The share of profit of investments accounted for using the equity method amounted to \$285,107, \$223,525, \$1,497,350 and \$846,550 for the three months and nine months ended September 30, 2021 and 2020, respectively, and were valued based on the investees' financial statements that were not reviewed by independent auditors.

C. In June 2020, the Group acquired 35% equity interest in Taiyuan Zhongdu Heling LEXUS Motor Sales & Service Co., Ltd. for a cash consideration of \$45,017.

D. In May 2020, the Group acquired 50% equity interest in AIM Technology Corp. for a cash consideration of \$55,000.

E. In May 2020, the Group proportionately participated in the capital increase of Tianjin Yongda Communication Technology Co., Ltd. and Tianjin Binhai New Area Heling LEXUS Motor Service Co., Ltd. for cash amounting to \$35,015 and \$14,644, respectively.

F. In the first quarter of 2020, the Group acquired 35% equity interest in Tianjin Yongda Communication Technology Co., Ltd. for a cash consideration of \$153,079.

G. In March 2020, the Group acquired 35% equity interest in Tianjin Binhai New Area Heling LEXUS Motor Service Co., Ltd. for a cash consideration of \$30,421.

(11) Property, plant and equipment

	2021										
	Utility equipment				Office equipment		Machinery and equipment			Construction in progress and prepayment for real estate	Total
	Land	Buildings and structures	Owner-occupied	Lease	Owner-occupied	Lease (Note)	Owner-occupied	Lease (Note)	Leasehold improvements		
<u>At January 1, 2021</u>											
Cost	\$ 9,356,989	\$ 5,431,459	\$ 143,189	\$ 59,990	\$ 1,981,655	\$ 936,359	\$ 603,464	\$ 46,444,953	\$ 740,015	\$ 707,569	\$ 66,405,642
Revaluation gain	1,345,967	12,079	-	-	-	-	-	-	-	-	1,358,046
Accumulated depreciation and impairment	(26,850)	(2,230,846)	(136,240)	(59,761)	(1,204,802)	(435,509)	(348,504)	(14,050,466)	(544,680)	-	(19,037,658)
	<u>\$ 10,676,106</u>	<u>\$ 3,212,692</u>	<u>\$ 6,949</u>	<u>\$ 229</u>	<u>\$ 776,853</u>	<u>\$ 500,850</u>	<u>\$ 254,960</u>	<u>\$ 32,394,487</u>	<u>\$ 195,335</u>	<u>\$ 707,569</u>	<u>\$ 48,726,030</u>
<u>2021</u>											
Opening net book amount as of January 1	\$ 10,676,106	\$ 3,212,692	\$ 6,949	\$ 229	\$ 776,853	\$ 500,850	\$ 254,960	\$ 32,394,487	\$ 195,335	\$ 707,569	\$ 48,726,030
Additions	568,677	506,261	701	-	264,757	149,666	36,585	13,535,970	37,275	534,017	15,633,909
Disposals	- (154)	-	-	- (79,160)	(1,755)	(1,565)	(479,999)	(689)	-	(563,322)	
Reclassifications	-	67,760	1,284	-	6,745	(90,106)	3,157	(3,565,295)	-	(262,898)	(3,839,353)
Depreciation	- (135,815)	(1,197)	(33)	(182,051)	(162,039)	(34,037)	(6,895,490)	(50,790)	-	(7,461,452)	
Impairment loss	-	-	-	-	-	6,654	-	(23,128)	-	(16,474)	
Net exchange differences	- (21,172)	(49)	-	(4,672)	(645)	(2,113)	(12,959)	(101)	(1,511)	(43,222)	
Closing net book amount as of September 30	<u>\$ 11,244,783</u>	<u>\$ 3,629,572</u>	<u>\$ 7,688</u>	<u>\$ 196</u>	<u>\$ 782,472</u>	<u>\$ 402,625</u>	<u>\$ 256,987</u>	<u>\$ 34,953,586</u>	<u>\$ 181,030</u>	<u>\$ 977,177</u>	<u>\$ 52,436,116</u>
<u>At September 30, 2021</u>											
Cost	\$ 9,925,666	\$ 5,986,795	\$ 145,093	\$ 59,990	\$ 2,112,004	\$ 841,325	\$ 622,524	\$ 50,537,703	\$ 763,485	\$ 977,177	\$ 71,971,762
Revaluation gain	1,345,967	12,079	-	-	-	-	-	-	-	-	1,358,046
Accumulated depreciation and impairment	(26,850)	(2,369,302)	(137,405)	(59,794)	(1,329,532)	(438,700)	(365,537)	(15,584,117)	(582,455)	-	(20,893,692)
	<u>\$ 11,244,783</u>	<u>\$ 3,629,572</u>	<u>\$ 7,688</u>	<u>\$ 196</u>	<u>\$ 782,472</u>	<u>\$ 402,625</u>	<u>\$ 256,987</u>	<u>\$ 34,953,586</u>	<u>\$ 181,030</u>	<u>\$ 977,177</u>	<u>\$ 52,436,116</u>

Note: Rental assets are exclusively for leasing business by Hotai Leasing Co., Ltd., Hotai Finance Co., Ltd. and other subsidiaries. The rental assets for disposal should be reclassified to inventories at their carrying value when the assets are no longer leased and are ready to be sold. Proceeds from disposal are reclassified as sales revenue and the related cost of sales should be recognized.

	2020										
	Utility equipment				Office equipment		Machinery and equipment			Construction in progress and prepayment for real estate	Total
	Land	Buildings and structures	Owner- occupied	Lease	Owner- occupied	Lease (Note)	Owner- occupied	Lease (Note)	Leasehold improvements		
<u>At January 1, 2020</u>											
Cost	\$ 9,264,310	\$ 5,273,598	\$ 138,715	\$ 59,990	\$ 1,743,954	\$ 840,370	\$ 543,681	\$ 42,579,797	\$ 687,803	\$ 499,311	\$ 61,631,529
Revaluation gain	1,345,967	12,079									1,358,046
Accumulated depreciation and impairment	(26,850)	(2,018,166)	(135,119)	(59,717)	(1,087,640)	(422,696)	(282,413)	(12,731,451)	(481,828)		(17,245,880)
	<u>\$ 10,583,427</u>	<u>\$ 3,267,511</u>	<u>\$ 3,596</u>	<u>\$ 273</u>	<u>\$ 656,314</u>	<u>\$ 417,674</u>	<u>\$ 261,268</u>	<u>\$ 29,848,346</u>	<u>\$ 205,975</u>	<u>\$ 499,311</u>	<u>\$ 45,743,695</u>
<u>2020</u>											
Opening net book amount as of January 1	\$ 10,583,427	\$ 3,267,511	\$ 3,596	\$ 273	\$ 656,314	\$ 417,674	\$ 261,268	\$ 29,848,346	\$ 205,975	\$ 499,311	\$ 45,743,695
Additions	-	533,212	3,288	-	269,280	181,147	26,520	11,486,675	36,026	615,635	13,151,783
Disposals	- (41)	-	-	- (69,570)	(2,036)	(603)	(306,266)	(425)	-	(378,941)	
Reclassifications	18,846 (496,718)	-	-	9,453 (13,294)	7,458 (3,555,041)	120 (537,607)	(4,566,783)				
Depreciation	- (116,361)	(733)	(33)	(148,052)	(158,354)	(42,621)	(6,096,451)	(45,428)	-	(6,608,033)	
Impairment loss	-	-	-	-	-	320	- (137,332)	-	-	(137,012)	
Net exchange differences	- (7,370)	3		(1,568)	(238)	(708)	(4,906)	(50)	64	(14,773)	
Closing net book amount as of September 30	<u>\$ 10,602,273</u>	<u>\$ 3,180,233</u>	<u>\$ 6,154</u>	<u>\$ 240</u>	<u>\$ 715,857</u>	<u>\$ 425,219</u>	<u>\$ 251,314</u>	<u>\$ 31,235,025</u>	<u>\$ 196,218</u>	<u>\$ 577,403</u>	<u>\$ 47,189,936</u>
<u>At September 30, 2020</u>											
Cost	\$ 9,283,156	\$ 5,319,924	\$ 141,996	\$ 59,990	\$ 1,923,562	\$ 812,594	\$ 579,912	\$ 44,831,208	\$ 723,321	\$ 577,403	\$ 64,253,066
Revaluation gain	1,345,967	12,079	-	-	-	-	-	-	-	-	1,358,046
Accumulated depreciation and impairment	(26,850)	(2,151,770)	(135,842)	(59,750)	(1,207,705)	(387,375)	(328,598)	(13,596,183)	(527,103)		(18,421,176)
	<u>\$ 10,602,273</u>	<u>\$ 3,180,233</u>	<u>\$ 6,154</u>	<u>\$ 240</u>	<u>\$ 715,857</u>	<u>\$ 425,219</u>	<u>\$ 251,314</u>	<u>\$ 31,235,025</u>	<u>\$ 196,218</u>	<u>\$ 577,403</u>	<u>\$ 47,189,936</u>

Note : Rental assets are exclusively for leasing business by Hotai Leasing Co., Ltd., Hotai Finance Co., Ltd. and other subsidiaries. The rental assets for disposal should be reclassified to inventories at carrying value when the assets are no longer leased and are ready to be sold. Proceeds from disposal are reclassified as sales revenue and the related cost of sales should be recognized.

(12) Leasing arrangements - lessee

A. The Group leases various assets including land, buildings and structures and office equipment. Rental contracts are typically made for periods of 1 to 20 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

<u>Carrying Amount</u>	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Land	\$ 1,808,576	\$ 1,717,463	\$ 748,625
Buildings and structures	1,562,892	1,361,460	1,452,720
Machinery and equipment	3,562	4,384	4,659
Office equipment	<u>352</u>	<u>1,918</u>	<u>2,439</u>
	<u>\$ 3,375,382</u>	<u>\$ 3,085,225</u>	<u>\$ 2,208,443</u>

	<u>Three months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
<u>Depreciation charge</u>		
Land	\$ 36,036	\$ 30,325
Buildings and structures	105,656	97,570
Machinery and equipment	274	272
Office equipment	<u>296</u>	<u>522</u>
	<u>\$ 142,262</u>	<u>\$ 128,689</u>

	<u>Nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
<u>Depreciation charge</u>		
Land	\$ 111,923	\$ 107,718
Buildings and structures	298,057	291,037
Machinery and equipment	822	730
Office equipment	<u>1,565</u>	<u>1,774</u>
	<u>\$ 412,367</u>	<u>\$ 401,259</u>

C. For the three months and nine months ended September 30, 2021 and 2020, the additions to right-of-use assets amounted to \$311,780, \$61,346, \$733,962 and \$316,582, respectively.

D. The information on profit and loss accounts relating to lease contracts is as follows:

	<u>Three months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 11,901	\$ 11,896
Expense on short-term lease contracts and leases of low-value assets	22,345	14,451
Gain on lease modification	2,679	111

	<u>Nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 33,722	\$ 35,441
Expense on short-term lease contracts and leases of low-value assets	45,021	26,096
Gain on lease modification	2,945	111

E. For the three months and nine months ended September 30, 2021 and 2020, the Group's total cash outflow for lease (including short-term lease contracts and leases of low-value assets) amounted to \$152,919, \$147,513, \$512,456 and \$434,434 respectively.

(13) Leasing arrangements - lessor

- A. The Group leases various assets including land, buildings, machinery and equipment, business vehicles and multifunction printers. Rental contracts are typically made for periods of 1 and 20 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.
- B. The Group leases machinery and equipment, business vehicles and so on under a finance lease. Based on the terms of the lease contract, the ownership of assets will be transferred to lessees when the leases expire. Information on profit or loss in relation to lease contracts is as follows:

	<u>Three months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Finance income from the net investment in the finance lease	<u>\$ 635,028</u>	<u>\$ 514,003</u>

	<u>Nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Finance income from the net investment in the finance lease	<u>\$ 1,778,998</u>	<u>\$ 1,583,071</u>

C. The maturity analysis of the undiscounted lease payment receivable in the finance lease is as follows:

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Less than 1 year	\$ 14,962,805	\$ 12,549,310	\$ 11,709,740
Between 1 and 2 years	5,678,271	5,116,071	4,627,639
Between 2 and 3 years	1,239,020	1,211,065	1,046,220
Between 3 to 4 years	116,389	107,664	113,298
Between 4 to 5 years	38,562	28,110	21,525
More than 6 years	<u>16</u>	<u>-</u>	<u>33</u>
	<u>\$ 22,035,063</u>	<u>\$ 19,012,220</u>	<u>\$ 17,518,455</u>

D. Reconciliation of the undiscounted lease payments receivable and the net investment in the finance lease is provided as follows:

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
	<u>Non-current</u>	<u>Non-current</u>	<u>Non-current</u>
Undiscounted lease payments	\$ 22,035,063	\$ 19,012,220	\$ 17,518,455
Unearned finance income	(2,198,886)	(2,108,226)	(1,890,631)
Net investment in the lease	<u>\$ 19,836,177</u>	<u>\$ 16,903,994</u>	<u>\$ 15,627,824</u>

E. For the three months and nine months ended September 30, 2021 and 2020, the Group recognized rent income in the amounts of \$3,774,514, \$3,441,109, \$11,066,156 and \$9,864,275, respectively, based on the operating lease agreements, which does not include variable lease payments.

F. The maturity analysis of the undiscounted lease payments receivable under the operating leases is as follows:

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Less than 1 year	\$ 10,955,863	\$ 10,372,670	\$ 10,038,290
Between 1 and 2 years	6,935,382	6,551,527	6,414,290
Between 2 and 3 years	3,222,632	3,023,155	2,949,130
Between 3 to 4 years	1,081,477	876,145	900,902
Between 4 to 5 years	329,879	289,721	313,610
More than 6 years	<u>15,791</u>	<u>8,631</u>	<u>-</u>
	<u>\$ 22,541,024</u>	<u>\$ 21,121,849</u>	<u>\$ 20,616,222</u>

(14) Investment property

	2021		
	<u>Land</u>	<u>Buildings and structures</u>	<u>Total</u>
<u>At January 1, 2021</u>			
Cost	\$ 1,214,517	\$ 1,131,642	\$ 2,346,159
Revaluation gain	327,794	-	327,794
Accumulated depreciation	-	(311,391)	(311,391)
	<u>\$ 1,542,311</u>	<u>\$ 820,251</u>	<u>\$ 2,362,562</u>
<u>2021</u>			
Opening net book amount as of January 1	\$ 1,542,311	\$ 820,251	\$ 2,362,562
Additions	197,876	29,929	227,805
Reclassifications	-	(40,624)	(40,624)
Depreciation	-	(12,265)	(12,265)
Closing net book amount as of September 30	<u>\$ 1,740,187</u>	<u>\$ 797,291</u>	<u>\$ 2,537,478</u>
<u>At September 30, 2021</u>			
Cost	\$ 1,412,393	\$ 1,115,203	\$ 2,527,596
Revaluation gain	327,794	-	327,794
Accumulated depreciation	-	(317,912)	(317,912)
	<u>\$ 1,740,187</u>	<u>\$ 797,291</u>	<u>\$ 2,537,478</u>
	2020		
	<u>Land</u>	<u>Buildings and structures</u>	<u>Total</u>
<u>At January 1, 2020</u>			
Cost	\$ 1,212,157	\$ 600,882	\$ 1,813,039
Revaluation gain	327,794	-	327,794
Accumulated depreciation	-	(295,518)	(295,518)
	<u>\$ 1,539,951</u>	<u>\$ 305,364</u>	<u>\$ 1,845,315</u>
<u>2020</u>			
Opening net book amount as of January 1	\$ 1,539,951	\$ 305,364	\$ 1,845,315
Additions	-	1,224	1,224
Reclassifications	(7,441)	505,621	498,180
Depreciation	-	(9,931)	(9,931)
Closing net book amount as of September 30	<u>\$ 1,532,510</u>	<u>\$ 802,278</u>	<u>\$ 2,334,788</u>
<u>At September 30, 2020</u>			
Cost	\$ 1,204,716	\$ 1,103,178	\$ 2,307,894
Revaluation gain	327,794	-	327,794
Accumulated depreciation	-	(300,900)	(300,900)
	<u>\$ 1,532,510</u>	<u>\$ 802,278</u>	<u>\$ 2,334,788</u>

- A. Rental income from investment property and direct operating expenses arising from investment property are as follows:

	<u>Three months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Rental income from investment property	\$ 42,517	\$ 39,790
Direct operating expenses arising from the investment property that generated rental income during the period (including depreciation)	\$ 8,393	\$ 5,918

	<u>Nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Rental income from investment property	\$ 121,859	\$ 105,186
Direct operating expenses arising from the investment property that generated rental income during the period (including depreciation)	\$ 24,925	\$ 17,740

- B. The fair value of the investment property held by the Group was \$3,042,902, \$2,715,721 and \$2,162,484 as of September 30, 2021, December 31, 2020 and September 30, 2020, respectively, based on the market value method, except for Hotai Insurance Co., Ltd., who appoints external independent appraisers to calculate and estimate the price of investment property every three years using at least two appraisal techniques among income approach, comparison method and cost approach, basing on observable price in an active market as well as according to the nature, location and situation of individual asset under “Regulations on Real Estate Appraisal”. It also prepares an internal assessment every year, and if a significant difference has been identified, the Company will engage an external independent appraiser revaluing the fair values of investment property under “Regulations on Real Estate Appraisal” and take the result as the basis of the adjustments for financial statement disclosures. The valuations based on the aforementioned method were categorized within Level 3 in the fair value hierarchy as assessed and its main input was capitalization rate.

(15) Intangible assets

	2021			
	<u>Goodwill</u>	<u>Client relationship</u>	<u>Computer software</u>	<u>Total</u>
<u>At January 1, 2021</u>				
Cost	\$ 662,323	\$ 527,106	\$ 262,241	\$ 1,451,670
Accumulated amortization and impairment	<u>-</u>	<u>(69,550)</u>	<u>(170,875)</u>	<u>(240,425)</u>
	<u>\$ 662,323</u>	<u>\$ 457,556</u>	<u>\$ 91,366</u>	<u>\$ 1,211,245</u>
<u>2021</u>				
Opening net book amount as of January 1	\$ 662,323	\$ 457,556	\$ 91,366	\$ 1,211,245
Additions-acquired separately	-	-	150,559	150,559
Amortization	-	(13,177)	(53,669)	(66,846)
Net change differences	<u>-</u>	<u>-</u>	<u>2,477</u>	<u>2,447</u>
Closing net book amount as of September 30	<u>\$ 662,323</u>	<u>\$ 444,379</u>	<u>\$ 190,733</u>	<u>\$ 1,297,435</u>
<u>At September 30, 2021</u>				
Cost	\$ 662,323	\$ 527,106	\$ 406,711	\$ 1,596,140
Accumulated amortization and impairment	<u>-</u>	<u>(82,727)</u>	<u>(215,978)</u>	<u>(298,705)</u>
	<u>\$ 662,323</u>	<u>\$ 444,379</u>	<u>\$ 190,733</u>	<u>\$ 1,297,435</u>
	2020			
	<u>Goodwill</u>	<u>Client relationship</u>	<u>Computer software</u>	<u>Total</u>
<u>At January 1, 2020</u>				
Cost	\$ 662,323	\$ 527,106	\$ 213,693	\$ 1,403,122
Accumulated amortization and impairment	<u>-</u>	<u>(51,979)</u>	<u>(118,273)</u>	<u>(170,252)</u>
	<u>\$ 662,323</u>	<u>\$ 475,127</u>	<u>\$ 95,420</u>	<u>\$ 1,232,870</u>
<u>2020</u>				
Opening net book amount as of January 1	\$ 662,323	\$ 475,127	\$ 95,420	\$ 1,232,870
Additions-acquired separately	-	-	28,734	28,734
Amortization	-	(13,178)	(39,067)	(52,245)
Closing net book amount as of September 30	<u>\$ 662,323</u>	<u>\$ 461,949</u>	<u>\$ 85,087</u>	<u>\$ 1,209,359</u>
<u>At September 30, 2020</u>				
Cost	\$ 662,323	\$ 527,106	\$ 242,600	\$ 1,432,029
Accumulated amortization and impairment	<u>-</u>	<u>(65,157)</u>	<u>(157,513)</u>	<u>(222,670)</u>
	<u>\$ 662,323</u>	<u>\$ 461,949</u>	<u>\$ 85,087</u>	<u>\$ 1,209,359</u>

Details of amortization on intangible assets are as follows:

	<u>Three months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Administrative expenses	<u>\$ 22,530</u>	<u>\$ 17,190</u>

	<u>Nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Administrative expenses	<u>\$ 66,846</u>	<u>\$ 52,245</u>

(16) Other assets

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Long-term accounts receivable (Including long-term notes and accounts receivable)	\$ 4,226,043	\$ 2,816,817	\$ 2,711,461
Reinsurance contract assets	874,194	555,717	625,364
Operation bonds	300,300	300,300	300,300
Guarantee deposits paid	470,082	421,330	408,464
Prepayments for business facilities	85,145	37,810	79,019
Others	1,524,180	1,252,736	1,802,283
	<u>\$ 7,479,944</u>	<u>\$ 5,384,710</u>	<u>\$ 5,926,891</u>

(17) Short-term loans

<u>Type of loans</u>	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Bank loans			
Unsecured loans	\$ 45,300,486	\$ 43,042,510	\$ 40,146,447
Mortgage loans	5,100,000	5,250,000	5,000,000
Mid-term syndicated loans for working capital	9,375,658	-	1,184,635
	<u>\$ 59,776,144</u>	<u>\$ 48,292,510</u>	<u>\$ 46,331,082</u>
Annual interest rate	<u>0.54%~4.30%</u>	<u>0.58%~4.75%</u>	<u>0.57%~4.75%</u>

As of September 30, 2021, December 31, 2020 and September 30, 2020, the details of loans are as follows:

- A. The subsidiary, Hotai Finance Co. Ltd., has entered into a mid-term syndicated contract for a credit line of JPY 30 billion with 19 financial institutions including Mizuho Bank, Ltd., in order to fulfil its working capital requirements. The duration is 36 months (starting from September 9, 2021 to September 9, 2024). The loan can be drawn several times but is non-revolving. The payment term is to repay the total drawn amount at the maturity date.
- B. The subsidiary, Hoyun International Lease Co., Ltd., has entered into a mid-term syndicated contract for a credit line of RMB 500 million with 6 financial institutions including CTBC Bank Co., Ltd., in order to fulfil its working capital requirements. The duration is 36 months (starting from March 31, 2021 to March 29, 2024). The loan can be drawn several times but is non-revolving. The payment term is to repay the drawn amounts in installments within the contract period.
- C. The subsidiary, Hoyun International Lease Co., Ltd., has entered into a mid-term syndicated

contract for a credit line of RMB 380 million with 3 financial institutions including DBS Bank Ltd., in order to fulfil its working capital requirements. The duration is 36 months (starting from November 9, 2017 to November 9, 2020). The loan can be drawn several times but is non-revolving. The payment term is to repay the drawn amounts in installments within the contract period. This loan has been settled at maturity in November 2020.

D. The subsidiary, Hotai Finance Co., Ltd.'s commitments to the abovementioned syndicated loans and partial loans from other financial institutions during the contract periods are summarized as follows:

- (a) Current ratio: At least 90%
- (b) Ratio of self-owned capital: At least 7%
- (c) Interest coverage ratio: At least 120%
- (d) Net value: At least \$3.5 billion

E. The subsidiary, Hoyun International Lease Co., Ltd.'s commitments to the abovementioned syndicated loans and partial loans from other financial institutions during the contract periods are summarized as follows:

- (a) Net assets: At least RMB 539 million.
- (b) Debt/equity ratio: Lower than 800%.
- (c) Interest coverage ratio: At least 115%.
- (d) Non performing loans ratio: Lower than 3%.

This loan has been settled at maturity in November 2020.

(18) Short-term notes and bills payable

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Commercial paper payable	\$ 99,290,000	\$ 84,049,727	\$ 77,860,000
Less: Unamortized discount	(54,026)	(27,852)	(33,498)
	<u>\$ 99,235,974</u>	<u>\$ 84,021,875</u>	<u>\$ 77,826,502</u>
Annual interest rate	<u>0.29%~1.16%</u>	<u>0.33%~1.19%</u>	<u>0.45%~1.19%</u>

(19) Bonds payable (Recorded as 'long-term liabilities current portion')

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Bonds payable	<u>\$ 12,200,000</u>	<u>\$ 9,400,000</u>	<u>\$ 9,400,000</u>

The information on corporate bonds issued by the Group's subsidiary, Hotai Finance Co., Ltd. that has been approved by the Competent Authority are as follows:

- A. The second unsecured ordinary corporate bonds was issued in 2021. The total amount was \$3,000,000, the coupon rate was 0.56% with a 5-year period, the outstanding period was from July 22, 2021 to July 22, 2026, and the bonds would be repaid at face value in a lump sum with cash on the due date.
- B. The first unsecured ordinary corporate bonds was issued in 2021. The total amount was \$2,200,000, the coupon rate was 0.55% with a 5-year period, the outstanding period was from April 15, 2021 to April 15, 2026, and the bonds would be repaid at face value in a lump sum with cash on the due date.
- C. The first unsecured ordinary corporate bonds was issued in 2020. The total amount was \$7,000,000, the coupon rate was 0.70% with a 5-year period, the outstanding period was from April 22, 2020 to April 22, 2025, and the bonds would be repaid at face value in a lump sum

with cash on the due date.

- D. The first unsecured ordinary corporate bonds was issued in 2018. The total amount was \$2,400,000, the coupon rate was 0.73% with a 3-year period, the outstanding period was from July 6, 2018 to July 6, 2021, and the bonds would be repaid at face value in a lump sum with cash on the due date. The bonds were fully repaid at maturity date.
- E. The first unsecured ordinary corporate bonds was issued in 2016. The total amount was \$2,800,000, the coupon rate was 0.93% with a 3-year period, the outstanding period was from January 11, 2017 to January 11, 2020, and the bonds would be repaid at face value in a lump sum with cash on the due date. The bonds were fully repaid at maturity date.

(20) Long-term loans

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Long-term bank borrowings						
US dollar denominated borrowings	USD 3,000 thousand; borrowing period is from September 2018 to July 2021; interest is repayable quarterly	1.43% ~1.45%	None	\$ -	\$ 85,491	\$ 87,247
	USD 3,500 thousand; borrowing period is from June 2019 to October 2021; interest is repayable quarterly	1.47% ~1.60%	None	97,760	99,739	101,789
	USD 1,300 thousand; borrowing period is from June 2019 to October 2021; interest is repayable quarterly	1.47% ~1.60%	None	36,311	37,046	37,807
Secured borrowings	From July 2015 to June 2025 (Note)	6.22%	Land use right (please refer to Note 8)	-	150,676	-
	From December 2019 to December 2024	1.20%	Land (please refer to Note 8)	47,500	70,000	192,500
	From January 2019 to January 2022	1.18%	Notes receivable for lease payments (please refer to Note 8)	150,000	150,000	150,000
Commercial papers payable	From December 2017 to August 2023	0.92% ~1.06%	Notes receivable for lease payments (please refer to Note 8)	-	-	5,300,000
	From February 2018 to December 2023	0.68% ~1.06%	Notes receivable for lease payments (please refer to Note 8)	-	5,400,000	-
	From July 2018 to June 2024	0.67% ~1.06%	Notes receivable for lease payments (please refer to Note 8)	5,700,000	-	-
Less: unamortized discounts				(6,306)	(7,257)	(6,292)
				6,025,265	5,985,695	5,863,051
Less: long-term liabilities, current portion				(1,812,740)	(2,849,530)	(2,514,596)
				<u>\$ 4,212,525</u>	<u>\$ 3,136,165</u>	<u>\$ 3,348,455</u>
Interest rate range				<u>0.67%~1.68%</u>	<u>0.68~6.22%</u>	<u>0.92%~3.48%</u>

Note: It refers to the secured borrowings of Shanghai Fengyi Construction Decoration Co., Ltd. when acquiring the subsidiary in December 2020. This loan has been settled in full in January 2021.

As of September 30, 2021, the maturities of long-term loans are as follows:

<u>Duration of maturity</u>	<u>Loan amount</u>
Up to 1 year	\$ 1,814,071
1 to 2 years	2,617,500
2 to 3 years	<u>1,600,000</u>
	<u>\$ 6,031,571</u>

(21) Accrued expenses

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Wages and salaries payable	\$ 2,175,093	\$ 2,378,981	\$ 1,864,191
Dealer bonus payable	383,176	619,704	307,108
Remuneration payable to employees	675,453	763,854	639,812
Remuneration payable to directors	303,746	334,054	251,635
Interest payable	123,028	129,331	141,393
Others	<u>1,835,115</u>	<u>1,917,236</u>	<u>1,673,567</u>
	<u>\$ 5,495,611</u>	<u>\$ 6,143,160</u>	<u>\$ 4,877,706</u>

(22) Pensions

Defined contribution pension plan

A. Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

B. The Company’s mainland China subsidiaries have defined contribution plans. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People’s Republic of China (“PRC”) are based on certain percentage of employees’ monthly salaries and wages. Other than the monthly contributions, the mainland China subsidiaries have no further obligations.

C. The pension costs under the defined contribution pension plans of the Group for the three months and nine months ended September 30, 2021 and 2020, were \$76,279, \$53,494, \$220,682 and \$178,992, respectively.

(23) Provisions

	<u>2021</u>	<u>2020</u>
At January 1	\$ 4,141,106	\$ 3,393,067
Additional provisions during the period	1,514,502	1,176,329
Used during the period	(677,017)	(662,668)
Unused amounts reversed	<u>(338,681)</u>	<u>(14,588)</u>
At September 30	<u>\$ 4,639,910</u>	<u>\$ 3,892,140</u>

Analysis of provision for warranty is as follows:

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Current (shown as other current liabilities)	\$ 1,010,088	\$ 1,104,817	\$ 1,046,636
Non-current	\$ 3,629,822	\$ 3,036,289	\$ 2,845,504

The Group provides warranties on vehicles and air conditioners sold. Provision for warranty is estimated based on historical warranty data of vehicles, air conditioners and related products.

(24) Guarantee deposits received

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Deposits received for car rentals	\$ 14,716,118	\$ 13,495,634	\$ 13,091,886
Others	131,523	150,724	48,877
	<u>\$ 14,847,641</u>	<u>\$ 13,646,358</u>	<u>\$ 13,140,763</u>

Analysis of guarantee deposits received for warranty is as follows:

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Current (shown as other current liabilities)	\$ 7,834,866	\$ 6,672,612	\$ 6,401,103
Non-current	\$ 7,012,775	\$ 6,973,746	\$ 6,739,660

(25) Share capital

As of September 30, 2021, the Company's authorized capital was \$6,000,000, consisting of 600,000,000 shares of ordinary stock and the paid-in capital was \$5,461,792 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected. The number of the Company's ordinary shares outstanding at January 1, 2021 and September 30, 2021 was both 546,179,184 shares.

(26) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(27) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses, then 10% of the remaining amount shall be set aside as legal reserve, and shall be set aside as special reserve as required by the regulations when necessary. The remainder, if any, shall be appropriated as dividends to shareholders which shall account for at least 50%, and cash dividends shall account for at least 10% of the total dividends distributed.

The earnings appropriation ratios and distribution method of dividends to shareholders are determined based on current year's profit and capital position and shall be proposed by the Board of Directors and resolved by the shareholders.

- B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- C. (a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- (b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865 issued by FSC on April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently. Such amounts are reversed upon disposal or reclassified if the assets are investment property of land, and reversed over the use period if the assets are investment property other than land.
- D. On August 12, 2021 and June 19, 2020, the stockholders resolved that total dividends for the distribution of earnings for the years of 2020 and 2019 were \$9,285,046 (\$17 per share) and \$7,646,509 (\$14 per share), respectively.
- E. For the information relating to employees' compensation and directors' remuneration, please refer to Note 6(32).

(28) Revenue from contracts with customers

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines:

	<u>Three months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Goods category:		
Sales of goods	\$ 46,380,030	\$ 47,380,449
Others	<u>494,862</u>	<u>495,306</u>
	<u>\$ 46,874,892</u>	<u>\$ 47,875,755</u>
Timing of revenue recognition		
At a point in time	\$ 46,190,151	\$ 47,155,259
Over time	<u>684,741</u>	<u>720,496</u>
	<u>\$ 46,874,892</u>	<u>\$ 47,875,755</u>
	<u>Nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Goods category:		
Sales of goods	\$ 158,124,532	\$ 144,289,318
Others	<u>1,454,641</u>	<u>1,429,798</u>
	<u>\$ 159,579,173</u>	<u>\$ 145,719,116</u>
Timing of revenue recognition		
At a point in time	\$ 157,604,217	\$ 143,768,451
Over time	<u>1,974,956</u>	<u>1,950,665</u>
	<u>\$ 159,579,173</u>	<u>\$ 145,719,116</u>

B. Contract assets and liabilities

The Group has recognized the following revenue-related contract assets and liabilities:

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Contract assets:			
Contract assets - construction contracts	\$ 25,395	\$ 23,661	\$ 14,678
Contract liabilities:			
Contract liabilities - sales of goods	\$ 1,144,797	\$ 1,437,134	\$ 1,293,217
Contract liabilities - customer loyalty programs	4,279	5,839	6,316
	<u>\$ 1,149,076</u>	<u>\$ 1,442,973</u>	<u>\$ 1,299,533</u>

For the nine months ended September 30, 2021 and 2020, revenue recognized that was included in the contract liability balance at the beginning of the period amounted to \$1,008,626 and \$836,696, respectively.

(29) Interest income

	<u>Three months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Installment revenue	\$ 2,472,729	\$ 1,929,999
Finance leasing revenue	635,028	514,003
Interest from deposits and short-term notes	45,963	32,925
Other interest income	15,487	16,666
	<u>\$ 3,169,207</u>	<u>\$ 2,493,593</u>

	<u>Nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Installment revenue	\$ 7,058,818	\$ 5,510,995
Finance leasing revenue	1,778,998	1,583,071
Interest from deposits and short-term notes	118,906	118,684
Other interest income	54,271	53,794
	<u>\$ 9,010,993</u>	<u>\$ 7,266,544</u>

(30) Premium

Details of premium are as follows:

	<u>Three months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Written premium	\$ 2,725,655	\$ 2,492,058
Reinsurance premium	101,909	117,344
Less: Reinsurance expense	(535,509)	(512,235)
Net change in unearned premiums reserve	(88,167)	(229,267)
	<u>\$ 2,203,888</u>	<u>\$ 1,867,900</u>

	<u>Nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Written premium	\$ 8,084,411	\$ 7,260,258
Reinsurance premium	307,636	328,002
Less: Reinsurance expense	(1,804,890)	(1,674,911)
Net change in unearned premiums reserve	(320,486)	(621,997)
	<u>\$ 6,266,671</u>	<u>\$ 5,291,352</u>

(31) Expenses by nature

	<u>Three months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Employee benefit expense	\$ 2,549,845	\$ 2,372,863
Depreciation	2,704,878	2,382,852
Amortization	33,420	19,870
	<u>\$ 5,288,143</u>	<u>\$ 4,775,585</u>

	<u>Nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Employee benefit expense	\$ 7,269,185	\$ 6,775,367
Depreciation	7,886,084	7,019,223
Amortization	96,921	59,979
	<u>\$ 15,252,190</u>	<u>\$ 13,854,569</u>

(32) Employee benefit expense

	<u>Three months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Wages and salaries	\$ 2,227,398	\$ 2,061,100
Labor and health insurance fees	147,271	152,210
Pension costs	76,279	53,494
Other personnel expenses	98,897	106,059
	<u>\$ 2,549,845</u>	<u>\$ 2,372,863</u>

	<u>Nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Wages and salaries	\$ 6,274,227	\$ 5,891,052
Labor and health insurance fees	449,893	395,785
Pension costs	220,682	178,992
Other personnel expenses	324,383	309,538
	<u>\$ 7,269,185</u>	<u>\$ 6,775,367</u>

- A. According to the Articles of Incorporation of the Company, a percentage of distributable profit of the current year, shall be distributed as employees' compensation and directors' remuneration. The percentage shall be 1% for employees' compensation and shall not be higher than 2% for directors' remuneration. Independent directors will not receive any distributable profit. If a company has accumulated deficit, earnings should be channeled to cover losses.
- B. For the three months and nine months ended September 30, 2021 and 2020, employees' remuneration were accrued at \$43,223, \$43,075, \$151,873 and \$125,817, respectively; while directors' remuneration were accrued at \$86,447, \$86,150, \$303,746 and \$251,635

respectively. The aforementioned amounts were recognized in salary expenses.

The employees' compensation and directors' remuneration were estimated and accrued based on 1% and 2% of distributable profit of current year for the nine months ended September 30, 2021.

Employees' compensation and directors' remuneration of 2020 as resolved by the Board of Directors were in agreement with those amounts recognized in the 2020 financial statements. The employees' compensation will be distributed in cash.

Information about employees' compensation and directors' remuneration of the Company as resolved by the Board of Directors and shareholders' meeting will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(33) Income tax

A. Income tax expense

(a) Components of income tax expense:

	<u>Three months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Current tax:		
Current tax expense recognized in the current period	\$ 1,161,351	\$ 1,140,408
Tax on undistributed surplus earnings	185,747	73
Prior year income tax (overestimation) underestimation	(804)	577
Total current tax	<u>1,346,294</u>	<u>1,141,058</u>
Deferred tax:		
Origination and reversal of temporary differences	104,316	(1,844)
Total deferred tax	<u>104,316</u>	<u>(1,844)</u>
Income tax expense	<u>\$ 1,450,610</u>	<u>\$ 1,139,214</u>
	<u>Nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Current tax:		
Current tax expense recognized in the current period	\$ 3,806,181	\$ 3,270,707
Tax on undistributed surplus earnings	197,782	195,876
Prior year income tax overestimation	(56,725)	(8,940)
Total current tax	<u>3,947,238</u>	<u>3,457,643</u>
Deferred tax:		
Origination and reversal of temporary differences	280,414	4,180
Total deferred tax	<u>280,414</u>	<u>4,180</u>
Income tax expense	<u>\$ 4,227,652</u>	<u>\$ 3,461,823</u>

(b) The income tax (charge)/credit relating to components of other comprehensive income are as follows:

	<u>Three months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Cash flow hedges	(\$ 8,450)	(\$ 7,748)
Changes in fair value of financial assets at fair value through other comprehensive income	(\$ 648)	\$ 6,998
Changes in fair value of financial assets designated using overlay approach	\$ 107	\$ 2,639

	<u>Nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Cash flow hedges	(\$ 15,902)	\$ 2,561
Changes in fair value of financial assets at fair value through other comprehensive income	(\$ 5,936)	(\$ 754)
Changes in fair value of financial assets designated using overlay approach	\$ 2,262	\$ 3,665

B. The Company's income tax returns through 2018 have been assessed and approved by the Tax Authority.

(34) Earnings per share

	<u>Three months ended September 30, 2021</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to common shareholders of the parent	\$ 3,513,167	546,179	\$ 6.43
<u>Diluted earnings per share</u>			
Profit attributable to common shareholders of the parent	\$ 3,513,167	546,179	
Assumed conversion of all dilutive potential common shares			
Employees' compensation	-	36	
Profit attributable to common shareholders of the parent plus assumed conversion of all dilutive potential common shares	\$ 3,513,167	546,215	\$ 6.43

	<u>Three months ended September 30, 2020</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to common shareholders of the parent	\$ 3,615,990	546,179	\$ 6.62
<u>Diluted earnings per share</u>			
Profit attributable to common shareholders of the parent	\$ 3,615,990	546,179	
Assumed conversion of all dilutive potential common shares			
Employees' compensation	-	78	
Profit attributable to common shareholders of the parent plus assumed conversion of all dilutive potential common shares	\$ 3,615,990	546,257	\$ 6.61

	<u>Nine months ended September 30, 2021</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to common shareholders of the parent	\$ 12,667,726	546,179	\$ 23.19
<u>Diluted earnings per share</u>			
Profit attributable to common shareholders of the parent	\$ 12,667,726	546,179	
Assumed conversion of all dilutive potential common shares			
Employees' compensation	-	348	
Profit attributable to common shareholders of the parent plus assumed conversion of all dilutive potential common shares	<u>\$ 12,667,726</u>	<u>546,527</u>	<u>\$ 23.18</u>

	<u>Nine months ended September 30, 2020</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to common shareholders of the parent	\$ 10,329,350	546,179	\$ 18.91
<u>Diluted earnings per share</u>			
Profit attributable to common shareholders of the parent	\$ 10,329,350	546,179	
Assumed conversion of all dilutive potential common shares			
Employees' compensation	-	503	
Profit attributable to common shareholders of the parent plus assumed conversion of all dilutive potential common shares	<u>\$ 10,329,350</u>	<u>546,682</u>	<u>\$ 18.89</u>

(35) Transactions with non-controlling interest

The Group did not participate in the capital increase raised by a subsidiary proportionally to its interest to the subsidiary

- A. Subsidiary, Hotai Mobility Service Co., Ltd., of the Group increased its capital by issuing new shares on April 29, 2021. The Group did not acquire shares proportionally to its interest. As a result, the Group decreased its share interest to 54.22%. This transaction resulted in a decrease in the non-controlling interest by \$7,099 and an increase in the equity attributable to owners of the parent by \$7,099.
- B. Subsidiary, Hotai Leasing Co., Ltd., of the Group disposed of 49.18% of shares of Hoing Mobility Service Co., Ltd. to Hotai Connected Co., Ltd. on January 28, 2021. This transaction resulted in an increase in the non-controlling interest by \$17,254 and a decrease in the equity attributable to owners of the parent by \$17,254.
- C. Subsidiary, Hotai Mobility Service Co., Ltd., of the Group increased its capital by issuing new shares in the third quarter of 2020. The Group did not acquire shares proportionally to its interest. As a result, the Group decreased its share interest to 78.16%. This transaction resulted in a decrease in the non-controlling interest by \$1,388 and an increase in the equity attributable to owners of the parent by \$1,388.

D. Subsidiary, Hoing Mobility Service Co., Ltd., of the Group increased its capital by issuing new shares on March 18, 2020. The Group did not acquire shares proportionally to its interest. As a result, the Group decreased its share interest to 55.55%. This transaction resulted in a decrease in the non-controlling interest by \$1,270 and an increase in the equity attributable to owners of the parent by \$1,270.

(36) Changes in liabilities from financing activities

	Short-term loans	Short-term notes and bills payable	Long-term liabilities- current portion	Long-term loans	Guarantee deposits received	Lease liabilities	Dividend payable	Liabilities from financing activities-gross
January 1, 2021	\$ 48,292,510	\$ 84,021,875	\$ 12,249,530	\$ 3,136,165	\$13,646,358	\$ 1,767,701	\$ 7,212	\$ 163,121,351
Changes in cash flow from financing activities	11,334,494	15,214,099	2,800,000	42,285	1,201,283	(433,713)	9,285,046	20,873,402
Impact of changes in foreign exchange rate	(8,376)	-	(2,715)	-	-	(13,487)	-	(24,578)
Changes in other non-cash items	157,516	-	(1,034,075)	1,034,075	-	731,017	9,284,997	10,173,530
September 30, 2021	<u>\$ 59,776,144</u>	<u>\$ 99,235,974</u>	<u>\$ 14,012,740</u>	<u>\$ 4,212,525</u>	<u>\$14,847,641</u>	<u>\$ 2,051,518</u>	<u>\$ 7,163</u>	<u>\$ 194,143,705</u>

	Short-term loans	Short-term notes and bills payable	Long-term liabilities- current portion	Long-term loans	Guarantee deposits received	Lease liabilities	Dividend payable	Liabilities from financing activities-gross
January 1, 2020	\$ 61,183,045	\$ 53,735,476	\$ 7,626,749	\$ 3,500,851	\$13,059,964	\$ 1,923,318	\$ 7,251	\$ 141,036,654
Changes in cash flow from financing activities	(14,615,955)	24,091,026	4,200,000	(57,775)	80,799	(372,897)	(7,646,509)	5,678,689
Impact of changes in foreign exchange rate	(69,733)	-	-	(6,774)	-	(5,248)	-	(81,755)
Changes in other non-cash items	(166,275)	-	87,847	(87,847)	-	288,539	7,646,476	7,768,740
September 30, 2020	<u>\$ 46,331,082</u>	<u>\$ 77,826,502</u>	<u>\$ 11,914,596</u>	<u>\$ 3,348,455</u>	<u>\$13,140,763</u>	<u>\$ 1,833,712</u>	<u>\$ 7,218</u>	<u>\$ 154,402,328</u>

7. Related Party Transactions

(1) Names of related parties and relationship with the Group (Significant counterparties only)

<u>Names of related parties</u>	<u>Relationship with the Group</u>
Toyota Industries Corporation	Entities controlled by key management
Toyota Motor Asia Pacific Pte Ltd. (TMAP)	Entities controlled by key management
Toyota South Africa Motors (Pty) Ltd.	Entities controlled by key management
Toyota-Motor-Europe-Nv/Sa(TME)	Entities controlled by key management
Toyota-Motor-Sales-USA(TMS)	Entities controlled by key management
Toyota Daihatsu Engineering & Manufacturing Co., Ltd.	Entities controlled by key management
San Xing (Shanghai) Business Management Consulting Co., Ltd.	Entities controlled by key management
Triple S Digital Co., Ltd.	Entities controlled by key management
Hino Motors, Ltd. (Hino)	Entities controlled by key management
Toyota Motor Corporation (TMC)	Entities controlled by key management
Ho Chuang Insurance Agency Co., Ltd.	Entities controlled by key management
Ho An Insurance Agency Co., Ltd. (Ho An)	Entities controlled by key management
Ho Yu Investment Co., Ltd. (Ho Yu)	Entities controlled by key management

Names of related parties	Relationship with the Group
Toyota Motor (China) Investment Co., Ltd. (Toyota China)	Entities controlled by key management
Formosa Flexible Packaging Corp.	Associates
Zhongyang Motor Co., Ltd.	Associates
Beijing Heling Lexus Motor Sales & Service Co., Ltd.	Associates
Beijing Hoyu Toyota Motor Sales and Service Co., Ltd.	Associates
Kashiwabara Hotai Taiwan Co., Ltd.	Associates
Yokohama Tire Taiwan Co., Ltd.	Associates
Shi-Ho Screw Industrial Co., Ltd.	Associates
Kuai Shun Transportation Co., Ltd.	Associates
Wang Fu Co., Ltd.	Associates
Nan I Motor Co., Ltd.	Associates
Chang Guan Logistics Co., Ltd.	Associates
ChongQing Yudu Toyota Automobile Sales and Service Co., Ltd.	Associates
ChongQing Yurun Toyota Automobile Service Co., Ltd.	Associates
ChongQing Taikang Heling Lexus Motor Sales & Service Co, Ltd.	Associates
Taiyuan Zhongdu Heling LEXUS Motor Sales & Service Co., Ltd.	Associates
Jinzhong Central Toyota Motor Sale Service Co., Ltd.	Associates
Taizhou Zhongdu Lexus Motor Sale & Service Co., Ltd.	Associates
Tung Tai Asset Management Co., Ltd.	Associates
Tung Yu Motor Co., Ltd.	Associates
Innovation Auto Parts Co., Ltd	Associates
Guangzhou Gac Changho Autotech Corporation	Associates
Linyi Heling Lexus Motor Sales & Service Co., Ltd.	Associates
Linyi Ho-Yu Toyota Motor Sales And Service Co., Ltd.	Associates
Tianjin Binhai Heling LEXUS Motor Service Co., Ltd.	Associates
Kuozui Motors, Ltd. (Kuozui)	Associates
Kuotu Motor Co., Ltd. (Kuotu)	Associates
Taipei Toyota Motor Co., Ltd. (Taipei Motor)	Associates
Tau Miao Motor Co., Ltd. (Tau Miao)	Associates
Central Motor Co., Ltd. (Central Motor)	Associates

Names of related parties	Relationship with the Group
Nan Du Motor Co., Ltd. (Nan Du)	Associates
Kau Du Automobile Co., Ltd. (Kau Du)	Associates
Lang Yang Toyota Motor Co., Ltd.	Associates
Ho Cheng Auto Parts Co., Ltd.	Associates
Hozao Enterprise Co., Ltd.	Associates
Hohung Motors Co., Ltd.	Associates
Horung Motors Co., Ltd.	Associates
Zhong Cheng Motors Co., Ltd.	Associates
Heng Yun Investment Co., Ltd.	Associates
Fan Tai Transportation Co., Ltd. (Fan Tai)	Associates
Yi Tai Transportation Co., Ltd. (Yi Tai)	Associates
Hua Tai Transportation Co., Ltd.	Associates
AIM Technology Corp.	Associates
The Company's Directors, president, vice president and others	Key management

(2) Significant related party transactions and balances

A. Revenue

	<u>Three months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
(a) Sales revenue:		
-Associates		
Central Motor	\$ 5,676,716	\$ 5,910,478
Tau Miao	5,134,855	5,236,470
Taipei Motor	4,298,889	4,540,234
Kuotu	4,166,002	5,202,675
Others	8,431,191	9,034,232
-Entities controlled by key management	<u>27,785</u>	<u>22,224</u>
	<u>\$ 27,735,438</u>	<u>\$ 29,946,313</u>

	<u>Nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Sales revenue:		
-Associates		
Central Motor	\$ 21,590,215	\$19,867,474
Tau Miao	19,680,741	17,930,688
Taipei Motor	15,627,906	15,054,851
Kuotu	14,906,164	15,639,327
Others	32,288,044	29,657,485
-Entities controlled by key management	<u>83,989</u>	<u>78,945</u>
	<u>\$ 104,177,059</u>	<u>\$ 98,228,770</u>

Sales from the Company and subsidiaries to related parties are based on the price lists in force and terms that would be available to third parties. Terms are shown in table 6 of Note 13(1) significant transactions information.

	<u>Three months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
(b) Rental revenue:		
-Associates	\$ 35,608	\$ 33,064
-Entities controlled by key management	<u>2,431</u>	<u>2,442</u>
	<u>\$ 38,039</u>	<u>\$ 35,506</u>

	<u>Nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Rental revenue:		
-Associates	\$ 108,505	\$ 88,024
-Entities controlled by key management	<u>7,293</u>	<u>7,317</u>
	<u>\$ 115,798</u>	<u>\$ 95,341</u>

The Company and subsidiaries entered into rental contracts based on normal conditions with related parties and collect rents monthly based on the contracts.

	<u>Three months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
(c) Service revenue:		
Service sales:		
-Associates	\$ 8,551	\$ 9,500
-Entities controlled by key management	716	7,205
Contracted operating revenue:		
-Associates	<u>4,239</u>	<u>3,146</u>
	<u>\$ 13,506</u>	<u>\$ 19,851</u>

	<u>Nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Service revenue:		
Service sales:		
-Associates	\$ 27,914	\$ 27,092
-Entities controlled by key management	25,678	20,785
Contracted operating revenue:		
-Associates	<u>17,431</u>	<u>11,409</u>
	<u>\$ 71,023</u>	<u>\$ 59,286</u>

	<u>Three months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
(d) Subsidy income for price difference from installments:		
-Associates	<u>\$ 90,991</u>	<u>\$ 78,924</u>

	<u>Nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Subsidy income for price difference from installments:		
-Associates	\$ <u>215,141</u>	\$ <u>213,818</u>
	<u>Three months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
(e) Warranty revenue (shown as deductions to cost of sales):		
-Associates		
Kuozui	\$ 31,880	\$ 72,967
-Entities controlled by key management		
TMAP	96,007	93,472
Others	936	747
	\$ <u>128,823</u>	\$ <u>167,186</u>
	<u>Nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Warranty revenue (shown as deductions to cost of sales):		
-Associates		
Kuozui	\$ 101,892	\$ 171,510
-Entities controlled by key management		
TMAP	267,473	245,159
Others	959	1,852
	\$ <u>370,324</u>	\$ <u>418,521</u>
	<u>Three months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
(f) Advertisement subsidy and sales promotion revenue (shown as deductions to advertisement expense):		
-Associates		
Kuotu	\$ 12,161	\$ 12,505
Others	28,222	37,028
-Entities controlled by key management		
TMC	-	4,597
Others	189	337
	\$ <u>40,572</u>	\$ <u>54,467</u>

	<u>Nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Advertisement subsidy and sales promotion revenue (shown as deductions to advertisement expense):		
-Associates		
Kuotu	\$ 105,232	\$ 61,899
Others	87,716	96,499
-Entities controlled by key management		
TMC	43,787	72,467
Others	2,117	5,214
	<u>\$ 238,852</u>	<u>\$ 236,079</u>

	<u>Three months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
(g) Distribution income (shown as deductions to freight):		
-Associates	<u>\$ 5,184</u>	<u>\$ 4,212</u>

	<u>Nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Distribution income (shown as deductions to freight):		
-Associates	<u>\$ 21,688</u>	<u>\$ 15,170</u>

	<u>Three months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
(h) Miscellaneous income:		
-Associates		
Kuoto	\$ 23,149	\$ 17,845
Others	59,125	40,468
-Entities controlled by key management	21,716	17,427
	<u>\$ 103,990</u>	<u>\$ 75,740</u>

	<u>Nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Miscellaneous income:		
-Associates		
Kuoto	\$ 97,706	\$ 70,800
Others	133,839	108,551
-Entities controlled by key management	63,968	70,501
	<u>\$ 295,513</u>	<u>\$ 249,852</u>

B. Expenditures

	<u>Three months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
(a) Purchases of goods:		
-Associates		
Kuozui	\$ 12,024,333	\$ 8,964,167
Others	558,720	265,756
-Entities controlled by key management		
TMC	7,334,698	10,726,631
Others	<u>4,869,699</u>	<u>5,350,427</u>
	<u>\$ 24,787,450</u>	<u>\$ 25,306,981</u>

	<u>Nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Purchases of goods:		
-Associates		
Kuozui	\$ 45,650,093	\$ 30,568,156
Others	1,719,619	769,113
-Entities controlled by key management		
TMC	33,570,549	37,004,606
Others	<u>16,145,901</u>	<u>14,730,605</u>
	<u>\$ 97,086,162</u>	<u>\$ 83,072,480</u>

The Company and subsidiaries sold domestic cars which were purchased from Kuozui and imported cars and parts which were purchased from TMC, HINO, Toyota Motor (China) Investment Co., Ltd. (“TMCI”), TMAP, TMS and TME. Payment terms are shown in table 5 of Note 13(1) Significant transactions information.

	<u>Three months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
(b) Warranty cost:		
-Associates		
Kuotu	\$ 32,580	\$ 33,474
Central Motor	29,341	31,651
Tau Miao	23,785	25,626
Kau Du	17,642	20,215
Nan Du	18,085	18,208
Taipei Motor	17,745	18,825
Others	3,086	4,007
-Entities controlled by key management	<u>344</u>	<u>170</u>
	<u>\$ 142,608</u>	<u>\$ 152,176</u>

		<u>Nine months ended September 30,</u>	
		<u>2021</u>	<u>2020</u>
Warranty cost:			
-Associates			
Kuotu	\$	82,067	\$ 66,585
Central Motor		75,411	74,541
Tau Miao		62,488	59,428
Kau Du		45,467	46,148
Nan Du		45,073	42,918
Taipei Motor		43,442	41,969
Others		8,645	9,393
-Entities controlled by key management		<u>2,639</u>	<u>832</u>
	\$	<u>365,232</u>	\$ <u>341,814</u>
		<u>Three months ended September 30,</u>	
		<u>2021</u>	<u>2020</u>
(c) Freight:			
-Associates			
Fan Tai	\$	42,138	\$ 40,754
Yi Tai		34,244	30,579
Others		<u>679</u>	<u>823</u>
	\$	<u>77,061</u>	\$ <u>72,156</u>
		<u>Nine months ended September 30,</u>	
		<u>2021</u>	<u>2020</u>
Freight:			
-Associates			
Fan Tai	\$	146,444	\$ 125,491
Yi Tai		108,955	99,778
Others		<u>2,354</u>	<u>1,996</u>
	\$	<u>257,753</u>	\$ <u>227,265</u>
		<u>Three months ended September 30,</u>	
		<u>2021</u>	<u>2020</u>
(d) Commission expense:			
-Entities controlled by key management			
Ho An	\$	<u>256,844</u>	\$ <u>247,920</u>
		<u>Nine months ended September 30,</u>	
		<u>2021</u>	<u>2020</u>
Commission expense:			
-Entities controlled by key management			
Ho An	\$	<u>758,072</u>	\$ <u>681,238</u>

	<u>Three months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
(e) Others:		
-Associates		
Kuotu	\$ 2,025,450	\$ 1,915,813
Central Motor	1,532,254	1,532,528
Tau Miao	1,447,898	1,326,972
Kau Du	1,421,466	1,354,744
Taipei Motor	1,142,087	1,145,851
Nan Du	834,097	1,014,766
Others	<u>64,166</u>	<u>116,863</u>
	<u>\$ 8,467,418</u>	<u>\$ 8,407,537</u>

	<u>Nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Others:		
-Associates		
Kuotu	\$ 5,634,876	\$ 5,904,480
Central Motor	4,865,680	4,641,971
Tau Miao	4,384,678	3,830,832
Kau Du	4,247,556	4,048,728
Taipei Motor	3,200,471	3,386,701
Nan Du	3,075,560	3,180,288
Others	<u>260,199</u>	<u>401,349</u>
	<u>\$ 25,669,020</u>	<u>\$ 25,394,349</u>

As described in Note 4(41), Hotai Finance Co., Ltd. receives only interest income rather than gross profit from the installment sales with related parties. Therefore, sales revenue and cost of sales are presented in net amount and movable properties arising from the transaction are all pledged as collateral. Terms of purchases from related parties are in agreement with third parties. Terms are shown in table 5 of Note 13(1) significant transactions information.

C. Receivables from (payables to) related parties

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
(a) Receivables from related parties:			
-Associates	\$ 1,583,385	\$ 1,660,898	\$ 1,938,875
-Entities controlled by key management	<u>14,103</u>	<u>5,403</u>	<u>7,688</u>
	<u>\$ 1,597,488</u>	<u>\$ 1,666,301</u>	<u>\$ 1,946,563</u>

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
(b) Other receivables from related parties:			
-Associates	\$ 102,199	\$ 200,601	\$ 94,129
-Entities controlled by key management	<u>4,607</u>	<u>5,258</u>	<u>3,325</u>
	<u>\$ 106,806</u>	<u>\$ 205,859</u>	<u>\$ 97,454</u>
	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
(c) Accounts payable:			
-Associates			
Kuozui	\$ 978,531	\$ 432,718	\$ 546,936
Others	597,955	450,944	379,755
-Entities controlled by key management			
TMC	778,158	4,443,994	4,016,511
Others	<u>442,363</u>	<u>422,523</u>	<u>486,427</u>
	<u>\$ 2,797,007</u>	<u>\$ 5,750,179</u>	<u>\$ 5,429,629</u>
	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
(d) Accrued expenses and other payables:			
-Associates	\$ 317,452	\$ 306,807	\$ 377,540
-Entities controlled by key management	<u>322</u>	<u>1,195</u>	<u>54</u>
	<u>\$ 317,774</u>	<u>\$ 308,002</u>	<u>\$ 377,594</u>
	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
(e) Commissions payable:			
-Entities controlled by key management			
Ho An	<u>\$ 70,478</u>	<u>\$ 88,824</u>	<u>\$ 58,152</u>
D. <u>Prepayments to suppliers</u>			
	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Entities controlled by key management	<u>\$ 102,867</u>	<u>\$ 338,286</u>	<u>\$ 497,626</u>

E. Property transactions

Acquisition of rental assets and equipment

	<u>Three months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
-Associates		
Kuotu	\$ 779,569	\$ 790,485
Central Motor	376,016	299,475
Taipei Motor	343,287	336,074
Tau Miao	284,773	197,293
Others	360,421	365,545
-Entities controlled by key management	17,814	10,117
	<u>\$ 2,161,880</u>	<u>\$ 1,998,989</u>
	<u>Nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
-Associates		
Kuotu	\$ 2,266,283	\$ 2,097,637
Central Motor	1,006,515	811,897
Taipei Motor	956,063	939,754
Tau Miao	743,090	607,131
Others	1,102,684	1,059,634
-Entities controlled by key management	26,107	12,767
	<u>\$ 6,100,742</u>	<u>\$ 5,528,820</u>

F. Leasing arrangements - lessee

The Company and subsidiaries entered into the lease agreement with related parties based on the market price and the rent is paid on a monthly basis according to the agreement.

Lease liabilities

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
- Entities controlled by key management			
Ho Yu	\$ 86,860	\$ 83,296	\$ 90,387
- Associates			
Kuozui	14,534	1,461	2,942
Others	5,180	941	1,041
	<u>\$ 106,574</u>	<u>\$ 85,698</u>	<u>\$ 94,370</u>

G. Loans to related parties:

Loans to related parties

Outstanding balance:

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
- Associates	<u>\$ 292,862</u>	<u>\$ -</u>	<u>\$ -</u>

(3) Key management remuneration

	<u>Three months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Salaries and other short-term employee benefits	\$ 113,082	\$ 108,450
Post-employment benefits	-	30
Total	<u>\$ 113,082</u>	<u>\$ 108,480</u>
	<u>Nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Salaries and other short-term employee benefits	\$ 414,687	\$ 317,051
Post-employment benefits	-	90
Total	<u>\$ 414,687</u>	<u>\$ 317,141</u>

8. Pledged Assets

The Group's assets pledged as collateral are as follows:

<u>Pledged asset</u>	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>	<u>Purpose</u>
Notes and accounts receivable	\$ 5,181,384	\$ 3,497,571	\$ 3,471,594	Short-term borrowings and commercial papers payable
Financial assets at fair value through other comprehensive income (Note 1)	300,300	300,300	300,300	Operation bonds
Restricted assets (Note 2)				
-Demand and time deposits	590,382	953,335	524,267	Short-term borrowings, performance guarantee and issuance of L/C (Note 3)
-Land	543,133	543,133	543,133	Long-term borrowings
-Land use right assets	-	470,392	-	Long-term borrowings
	<u>\$ 6,615,199</u>	<u>\$ 5,764,731</u>	<u>\$ 4,839,294</u>	

Note 1: Shown as 'other assets'.

Note 2: Shown as 'other financial assets - current' and 'other financial assets - non-current'.

Note 3: As of September 30, 2021, December 31, 2020 and September 30, 2020, the certificates of deposit amounting to \$9,983, \$10,042 and \$10,360, respectively, were pledged to the financial institution to issue the letter of credit required by the unexpired insurance policies worldwide underwritten by the subsidiary, Hotai Insurance Co., Ltd.

9. Significant Contingent Liabilities and Unrecognized Contract Commitments

Significant contracts signed by the Group as of September 30, 2021 are summarized as follows:

<u>Type of contracts</u>	<u>Party involved</u>	<u>Contract period</u>	<u>Main contents</u>
<u>The Company</u>			
Distributor agreement	Toyota Motor Corporation	January 1, 2019 to December 31, 2021	Sales of imported or domestic models, parts and accessories of Toyota and Hino in Taiwan.
Distributor agreement	Hino Motors, Ltd.	April 1, 2021 to March 31, 2026 (Hino)	Sales of imported or domestic models, parts and accessories of Toyota and Hino in Taiwan.

<u>Type of contracts</u>	<u>Party involved</u>	<u>Contract period</u>	<u>Main contents</u>
Agreement on sale and purchase of Kuozui product	Kuozui Motors, Ltd.	Except for execution of termination clause, contract terms remain effective from July 1, 1995 (Hino) and January 1, 1998 (Toyota).	Kuozui Motors, Ltd. agrees to provide vehicles, parts and accessories, which are manufactured under authorization, to the Company for sale purpose in Taiwan.
Product dealership agreement	Kuotu Motor Co., Ltd. and other dealers	May 15, 2021 to May 14, 2024	Authorized dealers sell vehicles, parts and automobile products provided by the Company.
Contracted operating contracts	Kuotu Motor Co., Ltd. Kuozui Motors, Ltd. Chang Yuan Motor Co., Ltd.	Starting from July 1, 2009 Starting from June 1, 2002 Starting from January 1, 2003 Except for termination signed by both parties, contracts remain effective.	The Company was designated to conduct affairs such as sales, supply chain management, pre-sale services, after-sale services and promotion management.
<u>Chang Yuan Motor Co., Ltd.</u> Trading contracts	Kuozui Motors, Ltd.	Starting from January 1, 2003, except for termination signed by both parties or breach of contract, contracts remain effective.	Kuozui Motors, Ltd. agrees to provide vehicles and parts, which are manufactured under authorization, to the Company for sale purpose in Taiwan.
<u>Toyota Material Handling Taiwan Ltd.</u> Distributor agreement	Toyota Industries Corporation	April 1, 2020 to March 31, 2023	Sales of imported Toyota vehicles and parts for industrial and industry use in Taiwan.

10. Significant Disaster Loss

None.

11. Significant Events after the Balance Sheet Date

On November 4, 2021, the Board of Directors of the subsidiary, Hoyun International Lease Co., Ltd., resolved to increase its capital investment in Hoyun (Shanghai) Vehicle Leasing Ltd. The estimated amount of capital increase was RMB 100 million.

12. Others

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and considering future capital requirements and long-term capital plan in order to support operations and maximize returns for shareholders. Information on the capital management policy that the Group's subsidiary, Hotai Insurance Co., Ltd., made based on the Insurance Law of the Republic of China is provided in Note 12(12).

(2) Financial instruments

A. Financial instruments by category

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
<u>Financial assets</u>			
Financial assets at fair value through profit or loss			
Financial assets mandatorily measured at fair value through profit or loss	\$ 9,491,294	\$ 6,864,841	\$ 6,503,645
Financial assets at fair value through other comprehensive income			
Designation of equity instrument	9,095,295	8,089,138	7,133,079
Qualifying equity instrument	1,628,268	1,630,390	1,628,400
Financial assets at amortized cost/Loans and receivables			
Cash and cash equivalents	15,063,055	18,525,991	14,233,798
Notes receivable	11,559,638	8,753,542	10,216,535
Accounts receivable	168,002,709	141,639,465	134,412,679
Long-term notes and accounts receivable	3,581,582	2,295,027	2,176,504
Other receivables	1,558,918	1,498,941	1,001,438
Guarantee deposits paid	770,382	721,630	708,764
Other financial assets	<u>2,666,301</u>	<u>2,598,935</u>	<u>2,152,396</u>
	<u>\$ 223,417,442</u>	<u>\$ 192,617,900</u>	<u>\$ 180,167,238</u>
Derivative financial assets for hedging	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,537</u>
<u>Financial liabilities</u>			
Financial liabilities at fair value through profit or loss			
Financial liabilities held for trading	\$ 8,323	\$ 62,171	\$ 74,917
Financial liabilities at amortized cost			
Short-term loans	59,776,144	48,292,510	46,331,082
Short-term notes and bills payable	99,235,974	84,021,875	77,826,502
Notes payable	933,183	698,070	567,873
Accounts payable	4,968,853	10,710,299	8,991,664
Accrued expenses	5,495,611	6,143,160	4,877,706
Other payables	1,272,578	1,115,032	999,002
Commission payable	415,328	435,365	459,105
Corporate bonds payable (including current portion)	12,200,000	9,400,000	9,400,000
Long-term borrowings (including current portion)	6,025,265	5,985,695	5,863,051
Guarantee deposits received	14,847,641	13,646,358	13,140,763
Other financial liabilities	<u>58,137</u>	<u>69,928</u>	<u>69,308</u>
	<u>\$ 205,237,037</u>	<u>\$ 180,580,463</u>	<u>\$ 168,600,973</u>
Lease liabilities	<u>\$ 2,051,517</u>	<u>\$ 1,767,701</u>	<u>\$ 1,833,712</u>
Financial liabilities for hedging	<u>\$ 282,066</u>	<u>\$ 355,051</u>	<u>\$ 227,352</u>

B. Financial risk management policies

- (a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. To minimize any adverse effects on the financial performance of the Group, derivative financial instruments, such as foreign exchange forward contracts are used to hedge certain exchange rate risk, and cross currency swap contracts are used to fix variable future cash flows.
- (b) Risk management is carried out by finance departments of companies within the Group under policies approved by the Board of Directors. Finance departments identify, evaluate and hedge financial risks in close cooperation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.
- (c) Information on the additional risk management policy of the Company's subsidiary, Hotai Insurance Co., Ltd., is provided in Note 12(4).

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Group operates internationally and is exposed to foreign exchange rate arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD and RMB. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.
- ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The companies are required to hedge their entire foreign exchange risk exposure with the Group treasury. Exchange rate risk is measured through a forecast of highly probable USD and JPY expenditures. Forward foreign exchange contracts are adopted to minimize the volatility of the exchange rate affecting cost of forecast inventory purchases.
- iii. The Group hedges foreign exchange rate by using forward exchange contracts. However, the Group does not adopt hedging accounting. Details of financial assets or liabilities at fair value through profit or loss are provided in Note 6(2). Moreover, the Group enters into cross currency swap contracts to hedge the foreign exchange risk arising from foreign currency loan underwritten by financial institutions, shown as derivative financial assets and liabilities for hedging. The information is provided in Note 6(4).
- iv. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: RMB). After taking into consideration the use of cross currency swap contracts, the information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	September 30, 2021			December 31, 2020		
	Foreign currency		Book value	Foreign currency		Book value
	amount (In thousands)	Exchange rate		amount (In thousands)	Exchange rate	
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	USD	74,883	27.8500	\$	2,085,492	USD 51,568 28.4800 \$ 1,468,657
JPY:NTD	JPY	394,961	0.2490		98,345	JPY 693,259 0.2763 194,547
RMB:NTD	CNY	4,231	4.3068		18,222	CNY 820 4.3674 3,581
USD:RMB	USD	-	-		-	USD 431 6.5210 12,275
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	USD	94,932	27.8500	\$	2,643,856	USD 207,305 28.4800 \$ 5,904,046
JPY:NTD	JPY	183,204	0.2490		45,618	JPY 177,741 0.2763 49,110
RMB:NTD	CNY	6,161	4.3068		26,534	CNY 7,874 4.3674 34,389
USD:RMB	USD	4,800	6.4665		133,680	USD 37,800 6.5210 1,076,544

	September 30, 2020		
	Foreign currency		Book value
	amount (In thousands)	Exchange rate	
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	USD	55,024	29.1000 \$ 1,601,198
JPY:NTD	JPY	446,318	0.2756 123,005
RMB:NTD	CNY	9,086	4.2705 38,802
USD:RMB	USD	-	6.8142 -
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	USD	170,498	29.1000 \$ 4,961,492
JPY:NTD	JPY	113,192	0.2756 31,196
RMB:NTD	CNY	1,756	4.2705 7,499
USD:RMB	USD	37,800	6.8142 1,099,980

Note: The functional currencies of certain consolidated entities are not NTD, thus, this information has to be considered when reporting. For example, when a subsidiary's functional currency is RMB, the subsidiary's segments that are involved with USD have to be taken into consideration.

- v. The total exchange (loss) gain, including realized and unrealized, arising from significant foreign exchange variation on the monetary items held by the Group for the three months and nine months ended September 30, 2021 and 2020, amounted to \$69,023, \$165,058, \$501,991 and \$302,533, respectively.
- vi. The Group took the use of cross currency swap contracts into account and analysis of foreign currency market risk arising from significant foreign exchange variation as follows:

	<u>Nine months ended September 30, 2021</u>			<u>Nine months ended September 30, 2020</u>		
	<u>Sensitivity analysis</u>			<u>Sensitivity analysis</u>		
	<u>Degree of variation</u>	<u>Effect on profit or loss</u>	<u>Effect on other comprehensive income</u>	<u>Degree of variation</u>	<u>Effect on profit or loss</u>	<u>Effect on other comprehensive income</u>
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	1%	\$ 20,855	\$ -	1%	\$ 16,012	\$ -
JPY:NTD	1%	983	-	1%	1,230	-
RMB:NTD	1%	182	-	1%	388	-
USD:RMB (Note)	1%	-	-	1%	-	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	1%	26,439	-	1%	49,615	-
JPY:NTD	1%	456	-	1%	312	-
RMB:NTD	1%	265	-	1%	75	-
USD:RMB (Note)	1%	1,537	-	1%	11,000	-

Note: The functional currencies of certain consolidated entities are not NTD, thus, this information has to be considered when reporting. For example, when a subsidiary's functional currency is RMB, the subsidiary's segments that are involved with USD have to be taken into consideration.

Price risk and interest rate risk

- i. The Company's and the subsidiaries' financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income are domestic quasi money market fund and listed stocks which are influenced by fluctuation in market price.
- ii. The subsidiary's, Hotai Finance Co., Ltd., main interest rate risk arises from borrowings with variable rates, which expose the Group to cash flow interest rate risk.
- iii. The subsidiary, Hotai Finance Co., Ltd., assessed the market risk of cross currency swap by using PVBP (Present Value of Basis Point). However, the contracted notional principal equal to the amount of hedged liabilities, and the duration, resetting date, date of receiving and paying of interest and principal and the index of measuring interest were both the same, which can use to offset the market risk, thus, the Group did not expect significant market risk.
- iv. The subsidiary, Hotai Finance Co., Ltd., is not exposed to the risk arising from variations in the market interest rates as the debt products the subsidiary issued are all fixed rate liabilities.
- v. If the borrowing interest rate had increased/decreased by 1% with all other variables held constant and considering the use of cross currency swap contracts, profit after tax for the nine months ended September 30, 2021 and 2020 would have increased/decreased by \$6,553 and \$37,430, respectively. The main factor is that changes in interest expense result in floating-rate borrowings.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the

clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortized cost, at fair value through profit or loss and at fair value through other comprehensive income.

- ii. The Group manages their credit risk taking into consideration the entire group's concern. For banks and financial institutions, only independently rated parties with good rating are accepted. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.
- iii. The subsidiary, Hotai Finance Co., Ltd. (HFC), entered into agreements with banks for handling financing through pledging new and used vehicles. In accordance with the agreements, HFC is responsible for expansion of client lists, assisting expansion of installment loans for cars and unsecured loans. If borrowers are late for payment, HFC shall repay on behalf of the borrowers, and request claims of the borrowings and mortgage of vehicles. As of September 30, 2021, December 31, 2020 and September 30, 2020, HFC has financial instruments with off-balance-sheet credit risk amounting to \$5,421,621 \$6,859,704 and \$7,203,588, respectively, and HFC has collected notes for installment payment on behalf of the banks amounting to \$97,001, \$169,714 and \$210,738, respectively. HFC assesses financial guarantee contract liabilities which may arise from rendering the above services based on historical experience, and recognizes financial guarantee expense which is shown as 'other current liabilities'.
- iv. The Group adopts following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:
 - (i) If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
 - (ii) For investments in bonds that are traded over the counter, if any external credit rating agency rates these bonds as investment grade, the credit risk of these financial assets is low.
- v. For the subsidiaries, Hotai Finance Co., Ltd. and Hoyun International Lease Co., Ltd., the default occurs when the contract payments are past due over 150 days. Additionally, when the contract payments are past due over 90 days and are not expected to be recovered, the default has occurred.
- vi. The Group classified accounts receivable and contract assets based on customers' default and used the forecast ability of Taiwan Institute of Economic Research boom

observation report to adjust historical and timely information to assess the default possibility of accounts receivable and contract assets. Not including the subsidiaries, Hotai Finance Co., Ltd., Hoyun International Lease Co., Ltd. and Hotai Insurance Co., Ltd., estimated loss allowance arising from accounts receivable and contract assets amounted to \$50,379.

- vii. Subsidiary, Hotai Finance Co., Ltd. and Hoyun International Lease Co., Ltd. used forecast ability such as historical experience and the prediction of future economic situation to establish loss rate for estimating loss allowance for instalment and lease payments accounts and notes receivable. As of September 30, 2021, December 31, 2020 and September 30, 2020, the provision matrix is as follows:

September 30, 2021	Not past due	Later than 31 to 60 days	Later than 61 to 90 days	Later than 91 to 120 days	Later than 121 to 150 days	Over 151 days	Total
Total book value	\$ 194,049,459	\$ 438,915	\$ 192,579	\$ 124,909	\$ 110,892	\$ 493,313	\$ 195,410,067
Loss allowance	\$ 2,524,792	\$ 201,384	\$ 140,865	\$ 101,572	\$ 100,261	\$ 485,173	\$ 3,554,047

December 31, 2020	Not past due	Later than 31 to 60 days	Later than 61 to 90 days	Later than 91 to 120 days	Later than 121 to 150 days	Over 151 days	Total
Total book value	\$ 162,197,105	\$ 451,109	\$ 178,184	\$ 148,912	\$ 131,658	\$ 600,287	\$ 163,707,255
Loss allowance	\$ 2,199,360	\$ 202,307	\$ 131,353	\$ 125,375	\$ 122,988	\$ 532,273	\$ 3,313,656

September 30, 2020	Not past due	Later than 31 to 60 days	Later than 61 to 90 days	Later than 91 to 120 days	Later than 121 to 150 days	Over 151 days	Total
Total book value	\$ 153,428,358	\$ 410,722	\$ 227,406	\$ 192,772	\$ 125,359	\$ 620,692	\$ 155,005,309
Loss allowance	\$ 1,959,559	\$ 187,801	\$ 181,272	\$ 173,040	\$ 116,266	\$ 532,372	\$ 3,150,310

- viii. Credit risk information of subsidiary, Hotai Insurance Co., Ltd., as of September 30, 2021, December 31, 2020 and September 30, 2020 is provided in Note 12(5)A.
- ix. Movements in relation to the Group applying the simplified approach to provide loss allowance are as follows (Note):

	2021	2020
	Receivables	Receivables
At January 1	\$ 3,414,181	\$ 2,677,141
Provision for impairment	1,289,676	1,474,450
Write-offs	(1,056,071)	(921,048)
Others	(21,533)	(4,863)
At September 30	<u>\$ 3,626,253</u>	<u>\$ 3,225,680</u>

Note : Including all the Group's consolidated entities.

For the nine months ended September 30, 2021 and 2020, gain on recoverable bad debts amounted to \$467,673 and \$424,212, respectively, presented as a deduction item to expected credit loss.

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by finance departments of companies within the Group. Finance departments of companies within the Group monitor rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while

maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets.

- ii. As of September 30, 2021, December 31, 2020 and September 30, 2020, the Group's unused credit line amounted to \$84,772,881, \$65,841,489 and \$72,123,815, respectively.
- iii. The table below analyses the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

September 30, 2021

	<u>Up to 1 year</u>	<u>1 to 2 years</u>	<u>Over 2 years</u>
Short-term loans	\$ 49,050,579	\$ 2,784,398	\$ 8,422,142
Short-term notes and bills payable	76,771,502	19,059,482	3,404,990
Notes payable	933,183	-	-
Accounts payable	4,968,853	-	-
Accrued expenses	5,495,611	-	-
Other payables	1,272,578	-	-
Commission payable	415,328	-	-
Lease liabilities	386,465	320,398	1,287,479
Bonds payable	77,900	77,900	12,354,508
Long-term loans (including current portion)	1,814,071	2,617,500	1,600,000

Non-derivative financial liabilities:

December 31, 2020

	<u>Up to 1 year</u>	<u>1 to 2 years</u>	<u>Over 2 years</u>
Short-term loans	\$ 41,829,185	\$ 4,624,216	\$ 2,149,399
Short-term notes and bills payable	77,127,770	4,095,154	2,798,951
Notes payable	698,070	-	-
Accounts payable	10,710,299	-	-
Accrued expenses	6,143,160	-	-
Other payables	1,115,032	-	-
Commission payable	435,365	-	-
Lease liabilities	375,798	286,185	1,358,650
Bonds payable	2,457,976	49,000	7,113,170
Long-term loans (including current portion)	2,852,276	1,390,000	1,750,676

Non-derivative financial liabilities:

September 30, 2020

	<u>Up to 1 year</u>	<u>1 to 2 years</u>	<u>Over 2 years</u>
Short-term loans	\$ 39,950,383	\$ 4,630,563	\$ 2,063,381
Short-term notes and bills payable	69,432,996	3,595,218	4,798,288
Notes payable	567,873	-	-
Accounts payable	8,991,664	-	-
Accrued expenses	4,877,706	-	-
Other payables	999,002	-	-
Commission payable	459,105	-	-
Lease liabilities	431,820	302,751	1,403,074
Bonds payable	2,400,000	-	7,000,000
Long-term loans (including current portion)	2,517,247	1,819,596	1,532,500

Derivative financial assets:

September 30, 2021

	<u>Up to 1 year</u>	<u>1 to 2 years</u>	<u>2 to 3 years</u>
Cross currency swaps	\$ -	\$ -	\$ 282,006
Forward exchange contracts	8,323	-	-

Derivative financial liabilities:

December 31, 2020

	<u>Up to 1 year</u>	<u>1 to 2 years</u>	<u>Over 2 years</u>
Cross currency swaps	\$ 334,162	\$ -	\$ 20,889
Forward exchange contracts	62,171	-	-

Derivative financial liabilities:

September 30, 2020

	<u>Up to 1 year</u>	<u>1 to 2 years</u>	<u>Over 2 years</u>
Cross currency swaps	\$ 204,056	\$ 23,296	\$ -
Forward exchange contracts	74,917	-	-

iv. Information on insurance contracts risk of the Company's subsidiary, Hotai Insurance Co., Ltd., is provided in Note 12(5).

(3) Fair value information

A. The different levels of valuation techniques used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group's investment in listed shares and beneficial certificates is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Group's investment in derivative instruments is included in Level 2.

Level 3: Unobservable inputs for the asset or liability. The Group's equity investments with no active markets and infrastructure fund are included in Level 3.

B. Fair value information of investment property at cost is provided in Note 6(14).

C. Financial instruments not measured at fair value

Including the carrying amounts of cash and cash equivalents, notes receivable, accounts receivable, other receivables, short-term loans, notes payable, accounts payable, accrued expenses, other payables, commission payables and bonds payable are approximate to their fair values.

D. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities are as follows:

(a) The related information of natures of the assets and liabilities is as follows:

<u>September 30, 2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Assets</u>				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Domestic and foreign beneficiary certificates	\$ 3,045,530	\$ -	\$ 427,437	\$ 3,472,967
Forward exchange contracts	-	20,213	-	20,213
Foreign exchange swap contracts	-	991	-	991
Bond investment	-	1,038,055	-	1,038,055
Equity securities	1,709,648	-	-	1,709,648
Exchange traded funds	1,836,886	-	-	1,836,886
Financial instruments	-	1,412,534	-	1,412,534
Financial assets at fair value through other comprehensive income				
Bond investment (Note)	-	1,928,568	-	1,928,568
Equity securities	<u>8,719,555</u>	<u>-</u>	<u>375,740</u>	<u>9,095,295</u>
	<u>\$ 15,311,619</u>	<u>\$ 4,400,361</u>	<u>\$ 803,177</u>	<u>\$ 20,515,157</u>
<u>Liabilities</u>				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	\$ -	\$ 7,188	\$ -	\$ 7,188
Foreign exchange swap contracts	-	1,135	-	1,135
Derivative financial liabilities for hedging	<u>-</u>	<u>282,066</u>	<u>-</u>	<u>282,066</u>
	<u>\$ -</u>	<u>\$ 290,389</u>	<u>\$ -</u>	<u>\$ 290,389</u>

Note: Including operation bonds.

<u>December 31, 2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Assets</u>				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Domestic and foreign beneficiary certificates	\$ 2,997,081	\$ -	\$ 383,543	\$ 3,380,624
Forward exchange contracts	-	8,347	-	8,347
Foreign exchange swap contracts	-	5,772	-	5,772
Bond investment	-	1,051,390	-	1,051,390
Equity securities	492,995	-	-	492,995
Exchange traded funds	1,228,862	-	-	1,228,862
Financial instruments	-	696,851	-	696,851
Financial assets at fair value through other comprehensive income				
Bond investment (Note)	-	1,930,690	-	1,930,690
Equity securities	<u>7,742,990</u>	<u>-</u>	<u>346,148</u>	<u>8,089,138</u>
	<u>\$ 12,461,928</u>	<u>\$ 3,693,050</u>	<u>\$ 729,691</u>	<u>\$ 16,884,669</u>
<u>Liabilities</u>				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	\$ -	\$ 62,171	\$ -	\$ 62,171
Derivative financial liabilities for hedging				
	<u>-</u>	<u>355,051</u>	<u>-</u>	<u>355,051</u>
	<u>\$ -</u>	<u>\$ 417,222</u>	<u>\$ -</u>	<u>\$ 417,222</u>

Note: Including operation bonds.

<u>September 30, 2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Domestic and foreign beneficiary certificates	\$ 2,753,973	\$ -	\$ 375,030	\$ 3,129,003
Forward exchange contracts	-	9,741	-	9,741
Foreign exchange swap contracts	-	8,960	-	8,960
Bond investment	-	1,000,000	-	1,000,000
Equity securities	964,715	-	-	964,715
Exchange traded funds	1,231,509	-	-	1,231,509
Financial instruments	-	159,717	-	159,717
Derivative financial assets for hedging	-	33,537	-	33,537
Financial assets at fair value through other comprehensive income				
Bond investment (Note)	-	1,928,700	-	1,928,700
Equity securities	<u>6,775,195</u>	<u>-</u>	<u>357,884</u>	<u>7,133,079</u>
	<u>\$ 11,725,392</u>	<u>\$ 3,140,655</u>	<u>\$ 732,914</u>	<u>\$ 15,598,961</u>
Liabilities				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	\$ -	\$ 74,917	\$ -	\$ 74,917
Derivative financial liabilities for hedging	<u>-</u>	<u>227,352</u>	<u>-</u>	<u>227,352</u>
	<u>\$ -</u>	<u>\$ 302,269</u>	<u>\$ -</u>	<u>\$ 302,269</u>

Note: Including operation bonds.

- (b) The methods and assumptions the Group used to measure fair value are as follows:
- i. The instruments the Group used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

	<u>Listed stocks</u>	<u>Beneficiary certificates</u>	<u>Open-end fund</u>	<u>Exchange traded funds</u>
Market quoted price	Closing price	Closing price	Net asset value	Closing price
 - ii. Except for financial instruments with active markets, domestic investments of the Company's subsidiary, Hotai Insurance Co., Ltd., take the quoted price of Taipei Exchange while foreign investments take the quoted price of the Swiss Exchange's financial information system as the fair value aside from infrastructure fund and real estate private placement fund that are assessed by balance sheet approach. The fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by

using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date.

- iii. When assessing non-standard and low-complexity financial instruments, for example, debt instruments without active market, interest rate swap contracts and foreign exchange swap contracts and options, the Group adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market. Forward foreign currency contracts are generally assessed using forward exchange rates.
- iv. The Group takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Group's credit quality.

E. The following chart is the movement of Level 3 for the nine months ended September 30, 2021 and 2020:

	<u>2021</u>	<u>2021</u>
	<u>Beneficiary</u>	<u>Equity securities</u>
	<u>certificates</u>	<u>Equity securities</u>
At January 1	\$ 383,543	\$ 346,148
Recorded as unrealized gains on valuation of investments in equity instruments measured at fair value through other comprehensive income	-	29,592
Recorded as gains on financial assets at fair value through profit or loss	11,308	-
Acquired during the period	<u>32,586</u>	<u>-</u>
At September 30	<u>\$ 427,437</u>	<u>\$ 375,740</u>
	<u>2020</u>	<u>2020</u>
	<u>Beneficiary</u>	<u>Equity securities</u>
	<u>certificates</u>	<u>Equity securities</u>
At January 1	\$ 337,907	\$ 318,567
Recorded as unrealized gains on valuation of investments in equity instruments measured at fair value through other comprehensive income	-	39,317
Recorded as gains on financial assets at fair value through profit or loss	18,325	-
Acquired during the period	<u>18,798</u>	<u>-</u>
At September 30	<u>\$ 375,030</u>	<u>\$ 357,884</u>

F. For the nine months ended September 30, 2021 and 2020, there was no transfer between Level 1, Level 2, and Level 3.

G. Treasury department is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of

information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.

H. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	<u>Fair value at September 30, 2021</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (weighted average)</u>	<u>Relationship of inputs to fair value</u>
Non-derivative equity instrument:					
Unlisted shares	\$ 375,740	Asset liability method, Market comparable companies method	Net asset value, price to earnings ratio multiple	-	The higher the multiple and control premium, the higher the fair value.
Infrastructure fund and real estate private placement fund	427,437	Net assets value	Not applicable	Not applicable	Not applicable

	<u>Fair value at December 31, 2020</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (weighted average)</u>	<u>Relationship of inputs to fair value</u>
Non-derivative equity instrument:					
Unlisted shares	\$ 346,148	Asset liability method, Market comparable companies method	Net asset value, price to earnings ratio multiple	-	The higher the multiple and control premium, the higher the fair value.
Infrastructure fund and real estate private placement fund	383,543	Net assets value	Not applicable	Not applicable	Not applicable

	<u>Fair value at September 30, 2020</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (weighted average)</u>	<u>Relationship of inputs to fair value</u>
Non-derivative equity instrument:					
Unlisted shares	\$ 357,884	Asset liability method, Market comparable companies method	Net asset value, price to earnings ratio multiple	-	The higher the multiple and control premium, the higher the fair value.
Infrastructure fund and real estate private placement fund	375,030	Net assets value	Not applicable	Not applicable	Not applicable

I. The Group has carefully assessed the valuation models and assumptions used to measure fair value, and regards its fair value measurements as reasonable. However, the use of different valuation models or assumptions may result in different measurements. If assumptions from financial assets and liabilities categorized within Level 3 had increased or decreased by 1%, other comprehensive income would not have been significantly impacted as of September 30, 2021, December 31, 2020 and September 30, 2020.

(4) Other matters

The Group's operation was not affected by the Covid-19 outbreak and various preventive measures which were imposed by the government.

(5) The nature and range of contract risk governance of the subsidiary, Hotai Insurance Co., Ltd.

A. The objectives, policies, procedures and methods of risk governance on insurance contracts:

(a) Risk Governance Structure and Responsibilities

The subsidiary, Hotai Insurance Co., Ltd. has set up the Risk & Control Committee (RCC) under the Board of Directors as well as an independent risk management department in order to effectively plan, advocate and monitor risk management matters.

The subsidiary's goals in managing its risks are to:

- i. Protect the subsidiary's capital by not taking risks beyond the subsidiary's risk tolerance.
- ii. Enhance value creation and achieve an optimal risk-return profile by efficiently deploying capital.
- iii. Support decision making processes by providing consistent, reliable and timely risk information.
- iv. Protect the subsidiary's brand and reputation by fostering the subsidiary's core values and promoting a sound culture of risk awareness.

The "three lines of defense" approach runs through the subsidiary's risk governance structure, so that risks are clearly identified, owned, and managed:

1st line: Business management takes risks and is responsible for day-to-day risk management.

2nd line: The risk management function oversees the overall risk management framework, and helps manage risk. Other governance and control functions (e.g. legal and compliance, finance, technical underwriting review, claims QA) are responsible for and help control specific types of risks.

3rd line: The audit function provides independent assurance regarding the effectiveness of the ERM framework and risk controls.

In accordance with "Risk Management Practice Rules for Insurance Industry", the subsidiary has established "Risk Management Policy" which is approved by the subsidiary's Board of Directors, to establish its corporate risk management framework.

(b) Risk Reporting and Measurement System

i. Risk Reporting

Each department branch periodically delivers risk information to the risk management department for monitoring purpose. The mitigating actions and response plans are required while breaching the risk-type limits.

Risk management department consolidates risk information, reviews and follows up improvement actions. In the quarterly RCC meeting, Integrated Assessment and Assurance Reporting will be presented in accordance with the meeting agenda. After the CEO signs off quarterly RCC meeting minutes as a formal risk report, the report will be

submitted to RCC and the Board of Directors for monitoring and verifying the soundness of the risk management framework.

ii. Measurement System

Pursuant to the regulatory authority's requirement, the subsidiary has performed sensitivity analysis, scenario analysis and stress test to understand the related risks which have quantitative influence on the subsidiary's performance.

(c) Insurance Risk and Underwriting Guidelines

Insurance risk management includes product development, pricing, underwriting, reinsurance, natural/man-made catastrophes, claims and reserve related risks. All of these risks are managed by the front-line responsible functions, such as underwriting, claims, technical management, product development and actuarial departments. According to the "Risk Management Policy," related functional policies and procedures, and local regulations, the Risk management framework and mechanism are designed and embedded into day-to-day operations, which includes authorization, operational process and risk-type limit monitoring, etc. The Risk Policy adherence self-assessment checklist and Risk Management Practice Rules for Insurance Industry checklist should be filled in by risk-type owners annually, in order to comply with the requirements of "Risk Management Policy" and "Risk Management Practice Rules for Insurance Industry".

(d) Total Risk Profiling and Insurance Risk Management

The subsidiary adopts the Total Risk Profiling (TRP) methodology to identify, assess, response and document its overall risks (incl. Business and Strategic Risk, Insurance Risk, Operational Risk, ALM / Investment / Credit Risk, and Financial Reporting Risk that can have an impact on the sustainability of Earnings, Capital and Reputation) systematically across the subsidiary. The risk management department coordinates the TRP efforts and provides quality assurance with all departments within their areas of responsibilities. The implementation status of improvement actions will be reviewed quarterly according to the fall TRP results in the previous year. The insurance risks (incl. product development, pricing, underwriting, reinsurance, natural / man-made catastrophes, claims, reserve and so on) are covered in the TRP process as well.

(e) Concentration Exposures on Insurance Risk

The subsidiary, Hotai Insurance Co., Ltd. has established the related risk control mechanism and developed risk management plan to run retention and ceded/assumed businesses based on reinsurance capacity by following the "Regulations Governing Insurance Enterprises Engaging in Operating Reinsurance and Other Risk Spreading Mechanisms". The net retention limit per risk for each line of business is listed below:

<u>Line of Business</u>	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Fire insurance	\$ 50,000	\$ 50,000	\$ 50,000
Fire & A.P. insurance	50,000	50,000	50,000
Long-term residential fire insurance	50,000	50,000	50,000
Residential fire insurance	50,000	50,000	50,000
Marine cargo insurance	20,000	20,000	20,000

<u>Line of Business</u>	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Inland marine insurance	\$ 20,000	\$ 20,000	\$ 20,000
Automobile insurance	Nil	Nil	Nil
General liability insurance	50,000	50,000	50,000
Engineering insurance	50,000	50,000	50,000
Fidelity insurance	60,000	60,000	60,000
Other property insurance	50,000	50,000	50,000
Personal accident insurance	50,000	50,000	50,000

In addition to control the own-retention limit per risk/catastrophe for confining risk exposures, the subsidiary, in accordance with the characteristics of each line of insurance business and to align with operational strategies, arranges reinsurance contracts or arranges facultative reinsurance to appropriately spread the subsidiary's endured risk. For the credit risk of main reinsurers, the subsidiary considers their credit rating, financial status, and location to ensure that the subsidiary has a stable and appropriate reinsurance coverage.

(f) Asset/Liability Management

The Asset/Liability Management Investment Committee (ALMIC) meeting is held on a quarterly basis to monitor the subsidiary's asset/liability matching duration and evaluate liquidity risk by ensuring the fulfillment of due liabilities and future claims provisions.

(g) Capital Adequacy Management

In accordance with the "Regulations Governing Capital Adequacy of Insurance Companies", the subsidiary has established the capital solvency management mechanism, which includes a risk-based capital ratio review on a regular basis. Also, the RBC Ratio Report is prepared and filed semiannually to monitor and implement regulatory capital adequacy requirements. Currently, the subsidiary's RBC ratio ((adjusted net capital / risk-based capital) X 100%) is in compliance with the regulatory requirement of "no lower than 200%."

(6) Credit risk, liquidity risk and market risk of insurance contract

The insurance contracts of the subsidiary, Hotai Insurance Co., Ltd. are all short-term policies and the reserves are not discounted; therefore, there is no significant impact in the interest rate risk.

A. Credit risk

- (a) Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable and other financial assets based on the agreed terms, and the contract cash flows of debt instruments stated at fair value through other comprehensive income.
- (b) Except for using historical loss rate as a basis and forecastable macroeconomic information to estimate expected credit loss in line with IAS, the subsidiary, Hotai Insurance Co., Ltd. also provisioned allowance for loss in line with "Regulation of the Procedure for Asset Assessment and Collection of Overdue Debts" and related procedures.
- (c) The subsidiary, Hotai Insurance Co., Ltd., adopts following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk since initial recognition:

- i. If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
 - ii. For bonds or banks that issue non-short-term certificates of deposit, if any external credit rating agency rates these bonds and banks as investment grade, the credit risk of these financial assets is low. However, if the rating of these bonds and banks are degraded to non-investment grade, the credit risk of these financial assets was significantly increased.
- (d) The subsidiary, Hotai Insurance Co., Ltd., adopts IFRS 9 to presume the following assumptions that financial assets have been impaired:
- i. If the contract payments were past due over 90 days based on the terms, there has been an impairment and default on that instrument since initial recognition.
 - ii. If companies that issue bonds or banks that issue non-short-term certificates of deposit experience significant financial difficulties and enter into bankruptcy or financial reorganization, the credit of the financial assets would be considered impaired.
 - iii. If the Company actively clears these financial assets in line with the “Regulation of the Procedure for Asset Assessment and Collection of Overdue Debts”, and the financial assets could no longer be recovered, the financial assets should be written-off after it is reported to the Board of Directors. However, the Company will continue executing the recourse procedures to secure their rights.
- (e) As of September 30, 2021, December 31, 2020 and September 30, 2020, the subsidiary, Hotai Insurance Co., Ltd., included receivables (excluding interest receivables from bonds and interest receivables from time deposits) and other assets (excluding operating bonds and restricted time deposits) into the group whose impairment should be assessed and the expected loss rates are as follows:

	September 30, 2021		
	12 months Not past due or not over 30 days	Significant increase in credit risk	Impairment of credit
		Over 30 days	Over 90 days
		0%	0%	100%
Expected loss rate	0%	0%	100%
Total book value	\$ 1,008,996	\$ -	\$ 160
Loss allowance	-	-	160

	December 31, 2020		
	12 months Not past due or not over 30 days	Significant increase in credit risk	Impairment of credit
		Over 30 days	Over 90 days
		0%	0%
Expected loss rate	0%	0%	100%
Total book value	\$ 875,366	\$ -	\$ 160
Loss allowance	-	-	160

	September 30, 2020		
	12 months	Significant increase in credit risk	Impairment of credit
	Not past due or not over 30 days	Over 30 days	Over 90 days
	0%	0%	100%
Expected loss rate	0%	0%	100%
Total book value	\$ 844,930	\$ -	\$ 160
Loss allowance	-	-	160

The provision of allowance for loss referred to the “Regulation of the Procedure for Asset Assessment and Collection of Overdue Debts”. For the nine months ended September 30, 2021 and 2020, the movement of allowance for loss are as follows:

	2021				
	12 months	Significant increase in credit risk	Impairment of credit	Amount of provision in line with the “Regulation of the Procedure for Asset Assessment and Collection of Overdue Debts”	Total
	\$	\$	\$	\$	\$
At January 1	-	-	160	12,712	12,872
Amount reversed	-	-	-	5,210	5,210
At September 30	-	-	160	17,922	18,082

	2020				
	12 months	Significant increase in credit risk	Impairment of credit	Amount of provision in line with the “Regulation of the Procedure for Asset Assessment and Collection of Overdue Debts”	Total
	\$	\$	\$	\$	\$
At January 1	-	-	160	14,153	14,313
Amount reversed	-	-	-	(621)	(621)
At September 30	-	-	160	13,532	13,692

As of September 30, 2021, December 31, 2020 and September 30, 2020, the allowance for loss of abovementioned financial assets was \$18,082, \$12,872 and \$13,692, respectively, and the maximum exposure to credit risk was \$991,074, \$862,654 and \$831,398, respectively.

- (f) As of September 30, 2021, December 31, 2020 and September 30, 2020, the subsidiary, Hotai Insurance Co., Ltd., has financial assets at fair value through other comprehensive income (including operating bonds), interest receivables from bonds, non-short term time deposits (excluding valuation adjustment) and interest receivables from time deposits amounting to \$3,604,099, \$3,527,217 and \$3,513,462, respectively, and are all classified as investment grade. The external credit risk rating are as follows:

<u>Credit risk rating</u>	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
tw AAA	\$ 889,201	\$ 886,942	\$ 888,888
tw AA+	432,976	442,523	443,048
tw AA	496,865	446,975	400,380
tw AA-	871,071	894,248	859,592
tw A+	333,941	341,256	368,980
tw A	490,095	428,987	475,537
tw A-	89,950	86,286	77,037
	<u>\$ 3,604,099</u>	<u>\$ 3,527,217</u>	<u>\$ 3,513,462</u>

The probable expected loss rates of abovementioned financial assets within 12 months were 0%~0.07%, 0%~0.07% and 0%~0.07%, respectively, the amounts of allowance for loss were \$590, \$581 and \$568 respectively, and the maximum exposure amounts were \$3,603,509, \$3,526,636 and \$3,512,894, respectively. Aforementioned amounts of allowance for loss were using the forecastability of Standard & Poor's research report to adjust historical and timely information to assess the expected loss rate. For the nine months ended September 30, 2021 and 2020, the movements of allowance for loss are as follows:

	<u>2021</u>	<u>2020</u>
At January 1	\$ 581	\$ 633
Provisions (amounts reversed) during the period	<u>9</u>	<u>(65)</u>
At September 30	<u>\$ 590</u>	<u>\$ 568</u>

(g) Reinsurance Credit Risk

The counterparties of the subsidiary, Hotai Insurance Co., Ltd. in conducting reinsurance transactions are companies with good credit ratings. Also, the subsidiary, Hotai Insurance Co., Ltd. transacts with numerous counterparties to diversify credit risk. The possibility of expected defaults is remote. In addition, the reinsurer list that the subsidiaries transacts with has been reviewed and approved by the subsidiary, Hotai Insurance Co., Ltd., and all are qualified reinsurance ceded companies. Policy underwriting units also non-routinely check on the newest approved reinsurance list. For the nine months ended September 30, 2021 and 2020, the reinsurance companies reinsurance premiums ceded and credit rating levels are as follows (if the reinsurance companies' reinsurance transactions is through reinsurance brokers, then the credit rating levels as follows is based on the reinsurance broker):

Nine months ended September 30, 2021

Credit rating levels (S&P)	Reinsurance premiums ceded	Percentage
AA+	\$ 358	0.02
AA	359,231	22.51
AA-	52,434	3.28
A+	679,786	42.60
A	94,913	5.95
A-	10,344	0.65
BBB+	14,676	0.92
Unrated	384,159	24.07
Total	\$ 1,595,901	100.00

Nine months ended September 30, 2020

Credit rating levels (S&P)	Reinsurance premiums ceded	Percentage
AA+	\$ 1,151	0.08
AA	2,446	0.17
AA-	366,243	24.83
A++	3,454	0.23
A+	662,704	44.92
A	55,234	3.74
A-	6,393	0.43
Unrated	377,574	25.60
Total	\$ 1,475,199	100.00

Note: Compulsory automobile insurance and residential earthquake insurance are excluded.

B. Liquidity risk management

Liquidity risk is the risk that the subsidiary, Hotai Insurance Co., Ltd. may not have sufficient liquid financial resources to meet its obligations when they fall due, or would have to incur excessive costs to do so. The subsidiary is not exposed to liquidity risk as there is no need for the subsidiary to hold adequate current assets to fulfill the financial liabilities as they become due or use higher costs to settle relevant financial liabilities.

(a) Cash flow control and hedging strategy

With the following controls and hedge strategies, the working capital of the subsidiary, Hotai Insurance Co., Ltd. is sufficient to meet insurance services and operational needs, and no liquidity risk is expected.

- i. The investment in debt instruments and equity instruments are mostly traded in the active market and can be expected to be disposed at the price close to fair value.
- ii. To make sure liquidity fund fulfill the liabilities when they fall due or capital requirements, the subsidiary manages liquidity through bank deposits and money market instruments.
- iii. To make sure the effectiveness of liquidity risk management, cash flow analysis is employed, the subsidiary generates yearly and monthly net cash flow forecast according to annual plan of operating income and expenses. Based on the cash flow forecast, the subsidiary periodically monitors the actual income and expenses to execute cash management activities.

(b) Liquidity risk management

To effectively manage liquidity risk, except for holding a considerable portion of current assets, the subsidiary also limits the proportion of investment amount and reviews current assets and liabilities on a regular basis to ensure that above requirement is fully supported.

The table below analyses the insurance liabilities and non-derivative financial liabilities of the subsidiary, Hotai Insurance Co., Ltd., based on the remaining period at the balance sheet date to the contractual maturity date.

i. Non-derivative financial liabilities

<u>September 30, 2021</u>	<u>Contractual undiscounted cash flows</u>			
	<u>Less than 1 year</u>	<u>Between 1 and 5 years</u>	<u>Between 5 and 10 years</u>	<u>Over 10 years</u>
Insurance liabilities	\$ 8,438,174	\$ 2,350,432	\$ 212,410	\$ 1,909,909
Payables	1,159,636	-	-	-
Deposits-in	227	4,072	-	-
Lease liabilities	56,232	78,313	-	-

<u>December 31, 2020</u>	<u>Contractual undiscounted cash flows</u>			
	<u>Less than 1 year</u>	<u>Between 1 and 5 years</u>	<u>Between 5 and 10 years</u>	<u>Over 10 years</u>
Insurance liabilities	\$ 7,238,192	\$ 1,733,844	\$ 165,647	\$ 1,915,323
Payables	1,174,055	-	-	-
Deposits-in	1,995	2,865	-	-
Lease liabilities	56,371	65,847	-	-

<u>September 30, 2020</u>	<u>Contractual undiscounted cash flows</u>			
	<u>Less than 1 year</u>	<u>Between 1 and 5 years</u>	<u>Between 5 and 10 years</u>	<u>Over 10 years</u>
Insurance liabilities	\$ 6,920,770	\$ 1,509,774	\$ 196,350	\$ 1,918,267
Payables	1,059,998	-	-	-
Deposits-in	2,016	2,678	-	-
Lease liabilities	56,584	77,082	-	-

ii. Derivatives

On September 30, 2021, the subsidiary, Hotai Insurance Co., Ltd., has derivative instruments at net settlement whose duration are all within 3 months from reporting period-end to the due date of contract.

C. Market risk

Market risk refers to the risk of changes in values or cash flows of accounts on the subsidiary, Hotai Insurance Co., Ltd.'s financial statements due to changes in financial markets. Major risk factors are as follows:

- Equity market prices
- Interest rate and credit spreads
- Currency exchange rates

The subsidiary, Hotai Insurance Co., Ltd., defines its risk tolerance and regularly measures and reviews this risk by adoption of "assets allocation strategy". In compliance with the subsidiary's "Risk Management Policy", the subsidiary's "Investment Policy Statement", and regulations of the competent authority, the subsidiary imposes investment limit on individual investment targets, restricts investments in assets with low liquidity, and manages the difference between the interest rate sensitive assets and the interest rate sensitive liabilities. To ensure effective market risk management, the subsidiary, Hotai Insurance Co., Ltd. also implements relevant stress tests in compliance with requirement by the competent authority. The table below further describes the subsidiary, Hotai Insurance Co., Ltd.'s current risk management mechanism in terms of individual risk factor:

(a) Price risk

The price risk is arising from the uncertainty of the prices of beneficiary certificates. However, the subsidiary Hotai Insurance Co., Ltd. has appropriately spread the price risk through diversified portfolio to decrease the risk of investments centralised in any specific industry or issuance institution.

With other conditions unchanged, the reasonable sensitivity analysis on stock price change is shown below:

	<u>September 30, 2021</u>		
	<u>Change of variables</u>		<u>Change in other comprehensive income</u>
Listed stocks, ETF and domestic and foreign beneficiary certificates	Increase in price	10%	\$ 523,628
	Decrease in price	10%	(523,628)

	<u>September 30, 2020</u>		
	<u>Change of variables</u>		<u>Change in other comprehensive Income</u>
Listed stocks, ETF and domestic and foreign beneficiary certificates	Increase in price	10%	\$ 360,837
	Decrease in price	10%	(360,837)

(b) Interest rate risk

Interest rate risk refers to the risk from market interest rate change which results in change of fair value of financial instruments. The major investment for the subsidiary, Hotai Insurance Co., Ltd., is fixed interest rate debt investment. Increase in interest rate will result in decrease in fair value. However, due to focus on long-term stability and predictable income, the short-term interest rate change would have insignificant impact to the subsidiary. Thus, no major interest rate risk is expected.

With other conditions unchanged, the reasonable sensitivity analysis on interest rate change is shown below:

	<u>September 30, 2021</u>		
	<u>Change of variables</u>		<u>Change in fair value</u>
Fixed-income investments	Increase in interest rate	100 basis point	(\$ 96,716)
	Decrease in interest rate	100 basis point	96,716

	<u>September 30, 2020</u>		
	<u>Change of variables</u>		<u>Change in fair value</u>
Fixed-income investments	Increase in interest rate	100 basis point	(\$ 108,047)
	Decrease in interest rate	100 basis point	108,047

(c) Foreign exchange risk

Foreign exchange risk refers to the risk from fluctuations in fair value of assets or future cash flow due to foreign exchange volatility.

The major foreign exchange risk of the subsidiary, Hotai Insurance Co., Ltd., results from US dollar position. The US dollar foreign exchange rate is shown below:

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Foreign exchange rate	27.85	28.10	28.99

The US dollar assets and liabilities are shown as below:

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
USD Assets	USD47,984 thousand	USD 46,045 thousand	USD 43,856 thousand
USD Liabilities	USD 635 thousand	USD 611 thousand	USD 682 thousand

Foreign exchange risk will affect the subsidiary, Hotai Insurance Co., Ltd.'s foreign currency denominated assets and liabilities. All foreign currency denominated investment assets held by the subsidiary has been commissioned by investors for hedging, using the foreign exchange swap contracts to effectively control the risk.

Under the circumstance that other variables remain unchanged and after deducting the nominal principal of hedge items, the sensitivity analysis for reasonable fluctuations in exchange rates is as follows:

	<u>September 30, 2021</u>	
	<u>Change on variable</u>	<u>Impact on net (loss) income</u>
USD assets, net	Appreciate 5% against NTD	(\$ 29,908)
	Depreciate 5% against NTD	29,908
	<u>September 30, 2020</u>	
	<u>Change on variable</u>	<u>Impact on net (loss) income</u>
USD assets, net	Appreciate 5% against NTD	(\$ 27,145)
	Depreciate 5% against NTD	27,145

(7) Insurance risk information

A. Insurance risk concentration

Insurance businesses undertaken by the subsidiary, Hotai Insurance Co., Ltd., comprise fire insurance, engineering insurance, accident insurance, transportation insurance, automobile insurance, and personal accident insurance.

Among them, as the subject matters of transportation insurance, automobile insurance, and personal accident insurance have mobility, the level of risk is deemed relatively dispersed. The subject matter of accident insurance has legality, and the risks in relation to accident insurance and aforesaid insurances are all dispersed through coverage limit control.

Besides, as the subject matters of fire insurance and engineering insurance do not have mobility, the level of risk is deemed relatively concentrated. The subsidiary, Hotai Insurance Co., Ltd., disperses the risks mainly through reinsurance ceding. For the nine months ended September 30, 2021 and 2020, the insurance risk concentration degree of premiums income

and self-retained premiums from effective insurance contracts of fire insurance and engineering insurance are listed below:

<u>Line of Business</u>	<u>Nine months ended September 30, 2021</u>	
	<u>Premiums revenue</u>	<u>Retention premiums</u>
Fire insurance	\$ 1,222,166	\$ 486,922
Engineering insurance	96,156	30,024

<u>Line of Business</u>	<u>Nine months ended September 30, 2020</u>	
	<u>Premiums revenue</u>	<u>Retention premiums</u>
Fire insurance	\$ 1,196,032	\$ 521,965
Engineering insurance	159,009	49,321

The subsidiary, Hotai Insurance Co., Ltd., has established catastrophe claims system to record losses of various line of insurance businesses and risks assumed by the subsidiary, including earthquake, typhoon, fire accident, air crash, and man-made catastrophes. The system also provides information for reinsurance brokers to implement catastrophe measurement models and perform analysis on expected occurrence years such as 10 years, 50 years, 100 years, and 250 years. The model covers fire insurance, engineering insurance, marine insurance, automobile insurance, as well as earthquake and typhoon risks. The model provides monthly report of cumulative risk assessment for the purpose of monitoring the risk. With strict reinsurance strategies and arrangements, as well as system monitoring cumulative risk, the subsidiary, Hotai Insurance Co., Ltd., can appropriately and effectively prevent high risk concentration to achieve a goal of risk dispersion.

B. Analysis of insurance risk sensitivity

The subsidiary, Hotai Insurance Co., Ltd., estimates claims reserve fund mainly through a series of development modules and various estimated loss ratios. With concern of unexpected factors, such as external environmental change (change of regulation or judicial order), trend or different ways of claims paid, these could change the loss development and expected loss ratio and therefore influence the estimated result of claims reserve. Therefore, the subsidiary, Hotai Insurance Co., Ltd., conducted a sensitivity test for the nine months ended September 30, 2021 and 2020 and the result is shown below:

<u>Line of Business</u>	<u>Nine months ended September 30, 2021</u>			
	<u>Expected loss ratio increased by 5%</u>		<u>Expected loss ratio decreased by 5%</u>	
	<u>Increase in claim reserve before reinsurance</u>	<u>Increase in claim reserve after reinsurance</u>	<u>Decrease in claim reserve before reinsurance</u>	<u>Decrease in claim reserve after reinsurance</u>
Automobile property damage insurance	\$ 152,802	\$ 132,012	\$ 152,802	\$ 132,012
Automobile third party liability insurance	73,760	65,691	73,760	65,691
Personal property insurance	3,221	2,528	3,221	2,528
Commercial property insurance	46,595	17,746	46,595	17,746
Liability insurance	36,529	28,562	36,529	28,562
Marine cargo insurance	8,535	6,473	8,535	6,473
Engineering insurance	5,343	1,570	5,343	1,570
Personal accident insurance	39,687	38,442	39,687	38,442
Health insurance	7,076	6,397	7,076	6,397
Foreign inward reinsurance	228	215	228	215

<u>Line of Business</u>	<u>Nine months ended September 30, 2020</u>			
	<u>Expected loss ratio increased by 5%</u>		<u>Expected loss ratio decreased by 5%</u>	
	<u>Increase in claim reserve before reinsurance</u>	<u>Increase in claim reserve after reinsurance</u>	<u>Decrease in claim reserve before reinsurance</u>	<u>Decrease in claim reserve after reinsurance</u>
Automobile property damage insurance	\$ 128,198	\$ 111,213	\$ 128,198	\$ 111,213
Automobile third party liability insurance	58,754	52,400	58,754	52,400
Personal property insurance	3,822	2,748	3,822	2,748
Commercial property insurance	41,104	16,360	41,104	16,360
Liability insurance	29,386	22,010	29,386	22,010
Marine cargo insurance	7,468	5,565	7,468	5,565
Engineering insurance	4,925	1,433	4,925	1,433
Personal accident insurance	38,357	36,315	38,357	36,315
Health insurance	5,658	4,268	5,658	4,268
Foreign inward reinsurance	763	697	763	697

Sensitivity test determines the impact on profit and loss based on before-reinsurance and after-reinsurance calculation from the increase or decrease by 5% in the expected loss ratio for the nine months ended September 30, 2021 and 2020.

C. Loss development pattern

As of September 30, 2021, December 31, 2020 and September 30, 2020, the loss development pattern of the subsidiary, Hotai Insurance Co., Ltd., are as follows :

(a) Direct business

Unit: NTD

September 30, 2021	Accident Year					Total
	≤ 2017	2018	2019	2020	Nine months ended September 30, 2021	
<u>Development Year</u>						
End of underwriting year	\$25,453,700	\$ 2,584,648	\$ 3,732,983	\$ 4,699,953	\$ 4,421,592	
One year after underwriting year	25,296,252	2,563,399	3,730,672	4,780,927	-	
Two years after underwriting year	24,968,656	2,510,423	3,691,470	-	-	
Three years after underwriting year	24,736,988	2,470,190	-	-	-	
Four years after underwriting year	24,692,282	-	-	-	-	
Estimated ultimate losses	24,692,282	2,470,190	3,691,470	4,780,927	4,421,592	
Paid losses	(24,114,019)	(2,207,121)	(3,146,410)	(3,889,409)	(2,056,926)	
Total reserve	<u>\$ 578,263</u>	<u>\$ 263,069</u>	<u>\$ 545,060</u>	<u>\$ 891,518</u>	<u>\$ 2,364,666</u>	\$ 4,642,576
Adjustment item (Note)						463,238
Realized amount in balance sheet (Shown as claims reserve for insurance liabilities)						<u>\$ 5,105,814</u>

December 31, 2020	Accident Year					Total
	≤ 2016	2017	2018	2019	2020	
<u>Development Year</u>						
End of underwriting year	\$23,947,995	\$ 1,788,662	\$ 2,584,648	\$ 3,732,983	\$ 4,699,953	
One year after underwriting year	23,665,037	1,806,176	2,563,399	3,730,672	-	
Two years after underwriting year	23,490,076	1,602,243	2,510,423	-	-	
Three years after underwriting year	23,366,414	1,558,542	-	-	-	
Four years after underwriting year	23,178,446	-	-	-	-	
Estimated ultimate losses	23,178,446	1,558,542	2,510,423	3,730,672	4,699,953	
Paid losses	(22,770,563)	(1,361,197)	(2,185,691)	(3,143,327)	(2,913,710)	
Total reserve	<u>\$ 407,883</u>	<u>\$ 197,345</u>	<u>\$ 324,732</u>	<u>\$ 587,345</u>	<u>\$ 1,786,243</u>	\$ 3,303,548
Adjustment item (Note)						352,073
Realized amount in balance sheet (Shown as claims reserve for insurance liabilities)						<u>\$ 3,655,621</u>

September 30, 2020	Accident Year					Total
	≤ 2016	2017	2018	2019	Nine months ended September 30, 2020	
<u>Development Year</u>						
End of underwriting year	\$23,947,995	\$ 1,788,662	\$ 2,584,648	\$ 3,732,983	\$ 3,411,550	
One year after underwriting year	23,665,037	1,806,176	2,563,399	3,749,590	-	
Two years after underwriting year	23,490,076	1,602,243	2,515,895	-	-	
Three years after underwriting year	23,366,414	1,599,994	-	-	-	
Four years after underwriting year	23,218,578	-	-	-	-	
Estimated ultimate losses	23,218,578	1,599,994	2,515,895	3,749,590	3,411,550	
Paid losses	(22,777,189)	(1,359,730)	(2,187,377)	(3,116,645)	(1,950,882)	
Total reserve	<u>\$ 441,389</u>	<u>\$ 240,264</u>	<u>\$ 328,518</u>	<u>\$ 632,945</u>	<u>\$ 1,460,668</u>	\$ 3,103,784
Adjustment item (Note)						347,960
Realized amount in balance sheet (Shown as claims reserve for insurance liabilities)						<u>\$ 3,451,744</u>

Note: Adjustment items include estimated claims for earthquake insurance, compulsory automobile insurance, nuclear insurance, and the total sum of non-distributable claim reserve fund.

(b) Retention business

Unit: NTD

September 30, 2021	Accident Year					Total
	≤2017	2018	2019	2020	Nine months ended September 30, 2021	
<u>Development Year</u>						
End of underwriting year	\$ 16,695,227	\$ 2,301,559	\$ 3,215,297	\$ 4,058,783	\$ 3,423,448	
One year after underwriting year	16,596,248	2,293,058	3,224,195	4,142,648	-	
Two years after underwriting year	16,409,073	2,237,166	3,187,125	-	-	
Three years after underwriting year	16,228,651	2,199,402	-	-	-	
Four years after underwriting year	16,200,655	-	-	-	-	
Estimated ultimate losses	16,200,655	2,199,402	3,187,125	4,142,648	3,423,447	
Paid losses	(15,880,990)	(2,006,817)	(2,811,316)	(3,476,503)	(1,794,956)	
Total reserve	<u>\$ 319,665</u>	<u>\$ 192,585</u>	<u>\$ 375,809</u>	<u>\$ 666,145</u>	<u>\$ 1,628,491</u>	\$ 3,182,695
Adjustment item (Note)						304,958
						<u>\$ 3,487,653</u>

December 31, 2020	Accident Year					Total
	≤2016	2017	2018	2019	2020	
<u>Development Year</u>						
End of underwriting year	\$ 15,296,560	\$ 1,351,056	\$ 2,301,559	\$ 3,215,297	\$ 4,058,783	
One year after underwriting year	15,344,171	1,375,530	2,293,058	3,224,195	-	
Two years after underwriting year	15,220,719	1,282,986	2,237,166	-	-	
Three years after underwriting year	15,126,086	1,250,169	-	-	-	
Four years after underwriting year	14,978,482	-	-	-	-	
Estimated ultimate losses	14,978,482	1,250,169	2,237,166	3,224,195	4,058,783	
Paid losses	(14,719,807)	(1,129,990)	(1,988,256)	(2,803,933)	(2,591,656)	
Total reserve	<u>\$ 258,675</u>	<u>\$ 120,179</u>	<u>\$ 248,910</u>	<u>\$ 420,262</u>	<u>\$ 1,467,127</u>	\$ 2,515,153
Adjustment item (Note)						239,877
						<u>\$ 2,755,030</u>

September 30, 2020	Accident Year					Total
	≤2016	2017	2018	2019	Nine months ended September 30, 2020	
<u>Development Year</u>						
End of underwriting year	\$ 15,296,560	\$ 1,351,056	\$ 2,301,559	\$ 3,215,297	\$ 2,915,626	
One year after underwriting year	15,334,171	1,375,530	2,293,058	3,237,877	-	
Two years after underwriting year	15,220,719	1,282,986	2,251,140	-	-	
Three years after underwriting year	15,126,086	1,275,546	-	-	-	
Four years after underwriting year	14,994,855	-	-	-	-	
Estimated ultimate losses	14,994,855	1,275,546	2,251,140	3,237,877	2,915,626	
Paid losses	(14,719,547)	(1,128,644)	(1,989,483)	(2,780,477)	(1,734,286)	
Total reserve	<u>\$ 275,308</u>	<u>\$ 146,902</u>	<u>\$ 261,657</u>	<u>\$ 457,400</u>	<u>\$ 1,181,340</u>	\$ 2,322,607
Adjustment item (Note)						239,228
						<u>\$ 2,561,835</u>

Note: Adjustment items include estimated claims for earthquake insurance, compulsory automobile insurance, nuclear insurance, and the total sum of non-distributable claim reserve fund.

Based on the table above, the estimated cumulative loss amount of each accident year is estimated based on the current available information, however, the actual amounts may be deviated from the estimation due to the loss development in the following years.

- (8) The subsidiary-Hotai Insurance Co., Ltd. assets and liabilities recoverable or payable within or over 12 months after the balance sheet date are as follows:

	<u>Book value</u>	<u>Within 12 months</u>	<u>Over 12 months</u>
<u>September 30, 2021</u>			
<u>Assets</u>			
Cash and cash equivalents	\$ 3,554,713	\$ 3,554,713	\$ -
Receivables	907,756	907,756	-
Financial assets at fair value through profit or loss	5,775,331	5,237,276	538,055
Financial assets at fair value through other comprehensive income	1,628,267	82,194	1,546,073
Other financial assets	1,645,137	1,520,708	124,429
Right-of-use assets	132,256	-	132,256
Investment property	576,407	-	576,407
Reinsurance contract assets	3,020,268	2,146,075	874,193
Property and equipment	3,107,224	-	3,107,224
Intangible assets	147,798	-	147,798
Other assets	656,173	207,220	448,953
<u>Liabilities</u>			
Payables	\$ 1,159,636	\$ 1,159,636	\$ -
Current income tax liabilities	63,159	63,159	-
Financial liabilities at fair value through profit or loss	1,135	1,135	-
Insurance liabilities	12,910,925	8,438,174	4,472,751
Lease liabilities	132,902	56,232	76,670
Other liabilities	72,074	68,002	4,072

	<u>Book value</u>	<u>Within 12 months</u>	<u>Over 12 months</u>
<u>December 31, 2020</u>			
<u>Assets</u>			
Cash and cash equivalents	\$ 4,366,750	\$ 4,366,750	\$ -
Receivables	782,100	782,100	-
Financial assets at fair value through profit or loss	3,940,519	3,389,129	551,390
Financial assets at fair value through other comprehensive income	1,630,391	28,634	1,601,757
Other financial assets	1,623,129	1,590,181	32,948
Right-of-use assets	118,631	-	118,631
Investment property	351,672	-	351,672
Reinsurance contract assets	2,155,788	1,600,071	555,717
Property and equipment	2,957,004	-	2,957,004
Intangible assets	84,233	-	84,233
Other assets	625,541	181,584	443,957
<u>Liabilities</u>			
Payables	\$ 1,174,055	\$ 1,174,055	\$ -
Current income tax liabilities	56,035	56,035	-
Insurance liabilities	11,053,006	7,238,192	3,814,814
Lease liabilities	120,456	56,371	64,085
Other liabilities	75,365	72,500	2,865

	<u>Book value</u>	<u>Within 12 months</u>	<u>Over 12 months</u>
<u>September 30, 2020</u>			
<u>Assets</u>			
Cash and cash equivalents	\$ 3,213,453	\$ 3,213,453	\$ -
Receivables	752,064	752,064	-
Current tax assets	7,633	-	7,633
Financial assets at fair value through profit or loss	4,117,331	3,617,331	500,000
Financial assets at fair value through other comprehensive income	1,628,400	29,694	1,598,706
Other financial assets	1,608,140	1,589,305	18,835
Right-of-use assets	129,233	-	129,233
Investment property	318,720	-	318,720
Reinsurance contract assets	2,162,787	1,537,423	625,364
Property and equipment	2,952,492	-	2,952,492
Intangible assets	81,132	-	81,132
Other assets	607,048	163,253	443,795
<u>Liabilities</u>			
Payables	\$ 1,059,998	\$ 1,059,998	\$ -
Current income tax liabilities	41,925	41,925	-
Insurance liabilities	10,545,161	6,920,770	3,624,391
Lease liabilities	131,084	56,584	74,500
Other liabilities	59,206	56,528	2,678

(9) The subsidiary-Hotai Insurance Co., Ltd.’s related information on commissioned investments

Beginning on December 12, 2018, the subsidiary, Hotai Insurance Co., Ltd., signed a discretionary investment management contract with Uni-President Assets Management Corp. to commission Uni-President Assets Management Corp. to manage the investment in domestic listed companies’ stocks and short-term notes and bills totaling \$600,000. The Company adjusted the commissioned investment amounts in Uni-President Assets Management Corp. to \$860,000 in July 2020, to \$920,000 in December 2020, to \$1,050,000 in March 2021 and to \$1,200,000 in June 2021.

Beginning on March 24, 2021, the subsidiary, Hotai Insurance Co., Ltd., signed a discretionary investment management contract with Cathay Securities Investment Trust to commission Cathay Securities Investment Trust to manage the investment in domestic listed companies’ stocks and short-term notes and bills totaling \$800,000.

Beginning on April 6, 2021, the subsidiary, Hotai Insurance Co., Ltd., signed a discretionary investment management contract with JIH SUN SECURITIES CO.,LTD.to commission JIH SUN SECURITIES CO.,LTD. to manage the investment in domestic listed companies’ stocks and short-term notes and bills totaling \$600,000.

Beginning on July 31, 2017, the subsidiary, Hotai Insurance Co., Ltd., signed a discretionary investment management contract with Yuanta Securities Investment Trust Company Limited (“Yuanta Funds”) to commission Yuanta Funds to manage the investment in domestic listed

companies' stocks and short-term notes and bills totaling \$500,000. However, the subsidiary, Hotai Insurance Co., Ltd. adjusted the commissioned investment amounts in Yuanta Funds to \$700,000 in November 2018 and to \$890,778 in November 2019. The Company terminated the discretionary investment management contract signed with Yuanta Funds on October 31, 2020.

In 2015, the subsidiary, Hotai Insurance Co., Ltd., signed a discretionary commission investment contract with JPMorgan Asset Management (Taiwan) Limited ("JPMorgan"), commissioning JPMorgan to conduct and manage domestic and foreign investments in various bonds on behalf of the subsidiary. The ceiling of this commissioned contract is based on the limit stipulated in the regulations.

(10) The subsidiary-Hotai Insurance Co., Ltd.'s calculation of retention earned premiums is shown below:

Three months ended September 30, 2021						
Category of insurance	Written premiums (1)	Reinsurance premiums (2)	Reinsurance premiums ceded (3)	Retention premiums (4)=(1)+(2)-(3)	Net change in unearned premium (5)	Retention earned premiums (6)=(4)-(5)
Compulsory insurance	\$ 107,290	\$ 42,712	\$ 42,913	\$ 107,089	\$ 2,876	\$ 104,213
Elective insurance	2,632,017	59,197	492,597	2,198,617	85,291	2,113,326
	2,739,307	101,909	535,510	2,305,706	88,167	2,217,539
Discount	2	-	-	2	-	2
	<u>\$ 2,739,309</u>	<u>\$ 101,909</u>	<u>\$ 535,510</u>	<u>\$ 2,305,708</u>	<u>\$ 88,167</u>	<u>\$ 2,217,541</u>

Nine months ended September 30, 2021						
Category of insurance	Written premiums (1)	Reinsurance premiums (2)	Reinsurance premiums ceded (3)	Retention premiums (4)=(1)+(2)-(3)	Net change in unearned premium (5)	Retention earned premiums (6)=(4)-(5)
Compulsory insurance	\$ 314,659	\$ 125,613	\$ 125,387	\$ 314,885	\$ 9,323	\$ 305,562
Elective insurance	7,827,104	182,023	1,679,504	6,329,623	311,163	6,018,460
	8,141,763	307,636	1,804,891	6,644,508	320,486	6,324,022
Discount	6	-	-	6	-	6
	<u>\$ 8,141,769</u>	<u>\$ 307,636</u>	<u>\$ 1,804,891</u>	<u>\$ 6,644,514</u>	<u>\$ 320,486</u>	<u>\$ 6,324,028</u>

Three months ended September 30, 2020						
Category of insurance	Written premiums (1)	Reinsurance premiums (2)	Reinsurance premiums ceded (3)	Retention premiums (4)=(1)+(2)-(3)	Net change in unearned premium (5)	Retention earned premiums (6)=(4)-(5)
Compulsory insurance	\$ 96,462	\$ 39,815	\$ 38,202	\$ 98,075	\$ 2,550	\$ 95,525
Elective insurance	2,411,488	77,528	474,033	2,014,983	226,716	1,788,267
	2,507,950	117,343	512,235	2,113,058	229,266	1,883,792
Discount	1	-	-	1	-	1
	<u>\$ 2,507,951</u>	<u>\$ 117,343</u>	<u>\$ 512,235</u>	<u>\$ 2,113,059</u>	<u>\$ 229,266</u>	<u>\$ 1,883,793</u>

Nine months ended September 30, 2020						
Category of insurance	Written premiums (1)	Reinsurance premiums (2)	Reinsurance premiums ceded (3)	Retention premiums (4)=(1)+(2)-(3)	Net change in unearned premium (5)	Retention earned premiums (6)=(4)-(5)
Compulsory insurance	\$ 280,244	\$ 115,969	\$ 110,732	\$ 285,481	\$ 8,063	\$ 277,418
Elective insurance	7,043,791	212,032	1,564,179	5,691,644	613,933	5,077,711
	7,324,035	328,001	1,674,911	5,977,125	621,996	5,355,129
Discount	5	-	-	5	-	5
	<u>\$ 7,324,040</u>	<u>\$ 328,001</u>	<u>\$ 1,674,911</u>	<u>\$ 5,977,130</u>	<u>\$ 621,996</u>	<u>\$ 5,355,134</u>

(11) The subsidiary-Hotai Insurance Co., Ltd.'s calculation of retention claim expenditures is shown below:

Three months ended September 30, 2021				
Category of insurance	Claim expenditures (1)	Reinsurance claim expenditures (2)	Reinsurance claims recovery (3)	Retention claim expenditures (4)=(1)+(2)-(3)
Compulsory insurance	\$ 68,905	\$ 31,115	\$ 40,771	\$ 59,249
Elective insurance	<u>1,001,181</u>	<u>7,375</u>	<u>133,127</u>	<u>875,429</u>
	<u>\$ 1,070,086</u>	<u>\$ 38,490</u>	<u>\$ 173,898</u>	<u>\$ 934,678</u>

Nine months ended September 30, 2021				
Category of insurance	Claim expenditures (1)	Reinsurance claim expenditures (2)	Reinsurance claims recovery (3)	Retention claim expenditures (4)=(1)+(2)-(3)
Compulsory insurance	\$ 214,257	\$ 90,859	\$ 126,483	\$ 178,633
Elective insurance	<u>2,999,450</u>	<u>13,992</u>	<u>300,815</u>	<u>2,712,627</u>
	<u>\$ 3,213,707</u>	<u>\$ 104,851</u>	<u>\$ 427,298</u>	<u>\$ 2,891,260</u>

Three months ended September 30, 2020				
Category of insurance	Claim expenditures (1)	Reinsurance claim expenditures (2)	Reinsurance claims recovery (3)	Retention claim expenditures (4)=(1)+(2)-(3)
Compulsory insurance	\$ 45,886	\$ 46,483	\$ 27,517	\$ 64,852
Elective insurance	<u>1,035,213</u>	<u>5,879</u>	<u>106,691</u>	<u>934,401</u>
	<u>\$ 1,081,099</u>	<u>\$ 52,362</u>	<u>\$ 134,208</u>	<u>\$ 999,253</u>

Nine months ended September 30, 2020

Category of insurance	Claim expenditures (1)	Reinsurance claim expenditures (2)	Reinsurance claims recovery (3)	Retention claim expenditures (4)=(1)+(2)-(3)
Compulsory insurance	\$ 185,023	\$ 106,688	\$ 110,334	\$ 181,377
Elective insurance	<u>2,888,310</u>	<u>16,129</u>	<u>308,226</u>	<u>2,596,213</u>
	<u>\$ 3,073,333</u>	<u>\$ 122,817</u>	<u>\$ 418,560</u>	<u>\$ 2,777,590</u>

(12) Financial information of compulsory automobile insurance:

The subsidiary, Hotai Insurance Co., Ltd., sets independent accounting for its compulsory automobile liability insurance in accordance with Compulsory Automobile Liability Insurance Act, recording the insurance' business and financial condition.

A. Balance sheets for compulsory automobile liability insurance are as follows:

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Assets			
Cash and cash equivalents	\$ 1,655,165	\$ 1,605,648	\$ 1,604,587
Notes receivable	3,787	2,522	2,169
Premiums receivable	6,884	6,546	5,349
Claims recoverable from reinsurers	20,780	12,486	8,253
Due from reinsurance and ceding companies	15,908	19,023	12,456
Ceded unearned premium reserve	88,778	81,615	77,882
Ceded claim reserve	149,107	106,864	103,182
Temporary payments and suspense accounts	<u>75</u>	<u>4,018</u>	<u>69</u>
Total assets	<u>\$ 1,940,484</u>	<u>\$ 1,838,722</u>	<u>\$ 1,813,947</u>
Liabilities			
Claims payable	\$ 13,508	\$ 165	\$ 27
Due to reinsurance and ceding companies	13,896	17,510	13,110
Unearned premium reserve	239,422	222,936	214,400
Claims reserve	369,279	288,042	277,995
Special reserve	1,304,299	1,308,654	1,308,336
Temporary payments and suspense accounts	<u>80</u>	<u>1,415</u>	<u>79</u>
Total liabilities	<u>\$ 1,940,484</u>	<u>\$ 1,838,722</u>	<u>\$ 1,813,947</u>

As of September 30, 2021, December 31, 2020 and September 30, 2020, the subsidiary, Hotai Insurance Co., Ltd., has long-term time deposits amounting to \$1,523,413, \$1,500,613 and \$1,492,613, respectively, shown as other financial assets in the balance sheets.

B. Details of revenues and costs for compulsory automobile liability insurance are as follows:

	<u>Three months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Operating revenues		
Written premiums	\$ 71,521	\$ 63,672
Reinsurance premiums	42,712	39,815
Less: Reinsurance premiums ceded	(42,913)	(38,202)
Net change in unearned premium reserve	(2,876)	(2,550)
Retention earned premiums	68,444	62,735
Interest income	2,470	2,463
	<u>\$ 70,914</u>	<u>\$ 65,198</u>
Operating costs		
Claim expenditures	\$ 68,905	\$ 45,886
Reinsurance claim expenditures	31,115	46,483
Less: Reinsurance claims recovery	(40,771)	(27,517)
Retention claim expenditures	59,249	64,852
Net change in claims reserve	14,029	(6,342)
Net change in special reserve	452	6,688
	<u>\$ 73,730</u>	<u>\$ 65,198</u>

	<u>Nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Operating revenues		
Written premiums	\$ 208,974	\$ 184,551
Reinsurance premiums	125,613	115,969
Less: Reinsurance premiums ceded	(125,387)	(110,732)
Net change in unearned premium reserve	(9,323)	(8,063)
Retention earned premiums	199,877	181,725
Interest income	7,410	8,311
	<u>\$ 207,287</u>	<u>\$ 190,036</u>
Operating costs		
Claim expenditures	\$ 214,257	\$ 185,023
Reinsurance claim expenditures	90,859	106,688
Less: Reinsurance claims recovery	(126,483)	(110,334)
Retention claim expenditures	178,633	181,377
Net change in claims reserve	38,994	7,045
Net change in special reserve	(4,355)	1,614
	<u>\$ 213,272</u>	<u>\$ 190,036</u>

(13) Capital management- Hotai Insurance Co., Ltd.

The primary objectives of the subsidiary, Hotai Insurance Co., Ltd., when managing capital are to safeguard capital adequacy and solvency of the subsidiary in order to support the subsidiary's

sustainable development and continuously create interests for shareholder.

Taiwan insurance enterprises usually measure whether the capital is adequate in accordance with the capital adequacy ratio. Pursuant to Article 143-4 of Insurance Act, an insurance enterprise's ratio of self-owned capital to risk-based capital may not be lower than 200%. The subsidiary, Hotai Insurance Co., Ltd. calculates the capital adequacy ratio once every half year in accordance with "Regulations Governing Capital Adequacy of Insurance Enterprises" to ensure that it can continuously meet the statutory capital requirement. In addition, net worth ratio will be included in the monitor indicators of capital adequacy ratio.

Capital adequacy ratio is calculated as self-owned capital divided by risk-based capital. Self-owned capital is the total capital approved by the competent authority, which includes recognized owners' equity and other adjustment items as regulated by the competent authority; risk-based capital is the total capital calculated based on the extent of risk that an insurance enterprise assumes in its actual operations. The subsidiary, Hotai Insurance Co., Ltd. calculates capital adequacy ratio in accordance with "Regulations Governing Capital Adequacy of Insurance Companies", and the capital adequacy ratio exceeded 300% within the last two years and was compliant with regulations.

Under Article 15 of "Regulations Governing the Preparation of Financial Reports by Enterprises Engaging in Insurance", the net worth ratios of the subsidiary, Hotai Insurance Co., Ltd., as of September 30, 2021, December 31, 2020 and September 30, 2020 were 31.86%, 32.64% and 32.22%, respectively.

- (14) The total amount of current assets and liabilities of the subsidiary, Hotai Finance Co., Ltd., that are expected to be recovered and repaid within or over 12 months

<u>September 30, 2021</u>	<u>Book value</u>	<u>Within 12 months</u>	<u>Over 12 months</u>
<u>Assets</u>			
Cash and cash equivalents	\$ 706,791	\$ 706,791	\$ -
Accounts and notes receivable, net	169,177,671	64,401,599	104,776,072
Other receivables	70,569	70,569	-
Inventories	4,127	4,127	-
Prepayments	6,458,227	4,355,600	2,102,627
Other current financial assets	466,010	436,010	30,000
<u>Liabilities</u>			
Short-term borrowings	\$ 52,301,384	\$ 41,268,678	\$ 11,032,706
Short-term notes and bills payable	91,222,324	68,841,888	22,380,436
Current financial liabilities for hedging	282,066	-	282,066
Notes payable	800,459	800,459	-
Accounts payable (including related parties)	529,210	529,210	-
Other payables	2,394,932	2,394,932	-
Current income tax liabilities	373,946	373,946	-
Lease liabilities-current	139,830	139,830	-
Bonds payable	12,200,000	-	12,200,000
Long-term liabilities, current portion	134,071	134,071	-
Financial guarantee liabilities-current	58,137	58,137	-
Guarantee deposits received - current	3,472,006	1,401,246	2,070,760
Other current liabilities, others	60,193	60,193	-

<u>December 31, 2020</u>	<u>Book value</u>	<u>Within 12 months</u>	<u>Over 12 months</u>
<u>Assets</u>			
Cash and cash equivalents	\$ 390,420	\$ 390,420	\$ -
Accounts and notes receivable, net	142,700,521	55,786,384	86,914,137
Other receivables	66,572	66,572	-
Inventories	4,221	4,221	-
Prepayments	6,321,368	4,491,803	1,829,565
Other current financial assets	365,275	245,275	120,000
<u>Liabilities</u>			
Short-term borrowings	\$ 41,957,854	\$ 35,238,042	\$ 6,719,812
Short-term notes and bills payable	75,993,267	69,099,162	6,894,105
Current financial liabilities for hedging	355,051	334,162	20,889
Notes payable	617,213	617,213	-
Accounts payable (including related parties)	618,150	618,150	-
Other payables	1,829,995	1,829,995	-
Current income tax liabilities	573,342	573,342	-
Lease liabilities-current	131,332	131,332	-
Bonds payable	9,400,000	2,400,000	7,000,000
Long-term liabilities, current portion	222,276	222,276	-
Financial guarantee liabilities-current	69,928	69,928	-
Guarantee deposits received - current	2,984,260	1,244,161	1,740,099
Other current liabilities, others	29,222	29,222	-

<u>September 30, 2020</u>	<u>Book value</u>	<u>Within 12 months</u>	<u>Over 12 months</u>
<u>Assets</u>			
Cash and cash equivalents	\$ 533,151	\$ 533,151	\$ -
Current financial assets for hedging	33,537	33,537	-
Accounts and notes receivable, net	135,182,776	53,537,921	81,644,855
Other receivables	73,237	73,237	-
Inventories	5,631	5,631	-
Prepayments	5,583,373	3,845,735	1,737,638
Other current financial assets	358,529	358,529	-
<u>Liabilities</u>			
Short-term borrowings	\$ 41,809,200	\$ 35,191,026	\$ 6,618,174
Short-term notes and bills payable	69,548,376	61,154,870	8,393,506
Current financial liabilities for hedging	227,352	204,056	23,296
Notes payable	493,197	493,197	-
Accounts payable (including related parties)	505,985	505,985	-
Other payables	1,595,587	1,595,587	-
Current income tax liabilities	382,560	382,560	-
Lease liabilities-current	128,742	128,742	-
Financial guarantee liabilities-current	69,308	69,308	-
Bonds payable	9,400,000	2,400,000	7,000,000
Long-term liabilities, current portion	87,247	87,247	-
Guarantee deposits received - current	2,823,113	1,166,127	1,656,986
Other current liabilities, others	104,012	104,012	-

13. Supplementary Disclosures

During the third quarter of 2021, information about major transactions related to the Company are as follows. The Company will disclose the entities which we invested in, except Hozan Investment Co.,Ltd., Hotai Finance Co., Ltd., Hotai Leasing Co., Ltd., Hotai Insurance Co., Ltd., Hoyun International Limited, and Hoyun International Lease Co., Ltd. These entities were the only companies reviewed by independent auditors through their respective financial statements.

(1) Significant transactions information

- (a) Loans to others: Please refer to table 1.
- (b) Provision of endorsements and guarantees to others: Please refer to table 2.
- (c) Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.
- (d) Acquisition or sale of the same security with the accumulated cost reaching \$300 million or 20% of the Company's paid-in capital: Please refer to table 4.
- (e) Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: Please refer to table 5.
- (f) Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- (g) Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 6.
- (h) Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 7.
- (i) Trading in derivative instruments undertaken during the reporting periods:

The table below listed the derivative instruments undertaken but not yet expired as of September 30, 2021:

Company Name	Derivative Instruments	Contract Amount (in thousands)	Maturity Date	Book Value	Fair Value
Ho Tai Motor Co., Ltd.	Forward exchange contracts	USD 205,605	2021/10/7~2022/1/14	\$ 13,025	\$ 13,025
Hotai Insurance Co., Ltd.	Foreign exchange swap contracts	USD 25,010	2021/10/4~2021/12/28	(144)	(144)
Hotai Finance Co., Ltd.	Cross currency swaps	JPY 3,800,000	2023/8/7	(126,009)	(126,009)
Hotai Finance Co., Ltd.	Cross currency swaps	JPY 30,000,000	2024/9/9	(156,057)	(156,057)

- (j) Significant inter-company transactions during the reporting periods: Please refer to table 8.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China) : Please refer to table 9.

(3) Information on investments in Mainland China

- (a) Basic information: Please refer to table 10.
- (b) Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area:
 - i. The amount and percentage of purchases and the balance and percentage of the related

payables at the end of the period: None.

- ii. The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: None.
- iii. The amount of property transactions and the amount of the resulting gains or losses: None.
- iv. The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: Please refer to table 2.
- v. The highest balance, end of period balance, interest rate range, and total current period interest with respect to financing of funds: Please refer to table 1.
- vi. Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services: None.

(4) Major shareholders information

Major shareholders information: Please refer to table 11.

14. Segment Information

(1) General information

Management has determined the reportable operating segments based on the reports reviewed by the Chief Operating Decision-Maker that are used to make strategic decisions. The Company considers the business from an operating perspective, and the reportable operating segments are as follows:

- A. Distributor of Toyota and Hino products segments: distributor for sale of Toyota and Hino vehicles, parts and other products to dealers. This segment refers to Ho Tai Motor Co., Ltd. As of September 30, 2021, the Company's self-owned capital ratio was 84%.
- B. Installment trading segments: trading various vehicles in installments.
- C. Leasing segments: leasing of various vehicles in installments.
- D. Other segments: business activities and operating segments not included above.

(2) Measurement of segment information

- A. The accounting policies of operating segments are in agreement with the significant accounting policies summarized in Note 4.
- B. The pre-tax net income is used to measure the Company's operating segment profit (loss) and performance of the operating segments.

(3) Information about segment profit or loss, assets and liabilities

The segment information provided to the Chief Operating Decision-Maker for the reportable segments is as follows:

	Nine months ended September 30, 2021					
<u>Items</u>	<u>Distributor of Toyota and Hino products segments</u>	<u>Installment trading segments</u>	<u>Leasing segments</u>	<u>Other segments</u>	<u>Reconciliation and elimination</u>	<u>Total</u>
Revenue from external customers	\$ 104,908,985	\$ 8,389,860	\$ 17,350,241	\$ 59,369,070	\$ -	\$ 190,018,156
Inter-segment revenue (Note)	12,126,369	409,719	895,536	10,252,841	(23,684,465)	-
Total segment revenue	<u>\$ 117,035,354</u>	<u>\$ 8,799,579</u>	<u>\$ 18,245,777</u>	<u>\$ 69,621,911</u>	<u>(\$ 23,684,465)</u>	<u>\$ 190,018,156</u>
Segment income (Note)	<u>\$ 14,731,676</u>	<u>\$ 2,827,799</u>	<u>\$ 1,650,431</u>	<u>\$ 10,538,614</u>	<u>(\$ 10,363,765)</u>	<u>\$ 19,384,755</u>
Segment assets	<u>\$ 83,266,294</u>	<u>\$ 163,763,471</u>	<u>\$ 65,326,482</u>	<u>\$ 106,089,568</u>	<u>(\$ 93,965,427)</u>	<u>\$ 324,480,388</u>

Nine months ended September 30, 2020

<u>Items</u>	<u>Distributor of Toyota and Hino products segments</u>	<u>Installment trading segments</u>	<u>Leasing segments</u>	<u>Other segments</u>	<u>Reconciliation and elimination</u>	<u>Total</u>
Revenue from external customers	\$ 97,055,669	\$ 6,813,483	\$ 16,208,252	\$ 51,055,670	\$ -	\$ 171,133,074
Inter-segment revenue (Note)	<u>9,608,072</u>	<u>316,669</u>	<u>961,263</u>	<u>7,756,578</u>	<u>(18,642,582)</u>	<u>-</u>
Total segment revenue	<u>\$ 106,663,741</u>	<u>\$ 7,130,152</u>	<u>\$ 17,169,515</u>	<u>\$ 58,812,248</u>	<u>(\$ 18,642,582)</u>	<u>\$ 171,133,074</u>
Segment income (loss) (Note)	<u>\$ 12,206,887</u>	<u>\$ 2,357,686</u>	<u>\$ 1,128,445</u>	<u>\$ 7,711,424</u>	<u>(\$ 7,608,396)</u>	<u>\$ 15,796,046</u>
Segment assets	<u>\$ 75,290,936</u>	<u>\$ 131,020,899</u>	<u>\$ 55,178,694</u>	<u>\$ 91,154,634</u>	<u>(\$ 81,247,034)</u>	<u>\$ 271,398,129</u>

Note: Inter-segment revenue is revenue from goods sold and services rendered between segments. Sales and transfers between consolidated entities are deemed as transactions with third parties and are measured at present market price.

(4) Reconciliation for segment income (loss)

- A. The Company's Chief Operating Decision-Maker assesses performance of operating segments and allocates resources based on pre-tax net income, thus, reconciliation is not needed.
- B. The total assets reported to the Chief Operating Decision-Maker are measured in a manner consistent with that in the Company's financial statements.

Ho Tai Motor Co., Ltd.
Loans to others
Nine months ended September 30, 2021
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Table 1

Number	Creditor	Borrower	General ledger account	Related party	Maximum outstanding balance during the nine months ended September 30, 2021	Balance at September 30, 2021	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Collateral		Allowance for doubtful accounts	Limit on loans granted to a single party	Ceiling on total loans granted	Footnote
												Item	Value				
1	Shanghai Heling Motor Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	Other receivables	Y	\$ 527,483	\$ 516,817	\$ 8,226	2.15%	Short-term financing	-	Operations	-	None	-	\$ 784,965	\$ 1,569,930	Note 1
2	Shanghai Hoyu Motor Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	260,669	258,409	1,852	2.15%	"	-	"	-	"	-	356,078	712,156	"
3	Shanghai Hozhan Motor Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	131,871	129,204	-	2.15%	"	-	"	-	"	-	169,568	339,136	"
4	Shanghai Yangpu Heling Lexus Motor Sales & Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	369,281	366,079	299,108	2.15%	"	-	"	-	"	-	472,946	945,892	"
5	Shanghai Ho-Mian Motor Technology Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	571,440	529,738	28,080	2.15%	"	-	"	-	"	-	970,472	1,940,944	"
6	Shanghai Guangxin Cultural Media Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	7,820	7,752	-	2.15%	"	-	"	-	"	-	9,796	19,592	"
7	Shanghai Hoxin Motor Service Consulting Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	5,213	5,168	-	2.15%	"	-	"	-	"	-	9,841	19,682	"
8	Shanghai HoChen Motor Technology Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	175,828	172,272	-	2.15%	"	-	"	-	"	-	297,007	594,014	"
9	Shanghai Jiading Heling Lexus Motor Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	173,779	172,272	80,624	2.15%	"	-	"	-	"	-	301,630	603,260	"
10	Shanghai Ho-Qian Logistics Equipment Trading Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	99,923	99,057	73,216	2.15%	"	-	"	-	"	-	166,906	333,812	"
11	Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	351,655	344,545	126,547	2.15%	"	-	"	-	"	-	457,899	915,798	"
11	Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	Chongqing Taikang Heling Lexus Motor Sales & Service Co., Ltd.	"	Y	43,068	43,068	-	3.35%	"	-	"	-	"	-	91,580	183,160	Note 4
12	Tianjin Heling Lexus Motor Sales & Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	351,655	344,545	122,916	2.15%	"	-	"	-	"	-	481,974	963,948	Note 1
13	Tianjin Ho-Yu Motor Sales & Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	153,849	17,227	17,055	2.15%	"	-	"	-	"	-	206,607	413,214	"
14	Tianjin Hozhan Motor Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	173,779	172,272	136,827	2.15%	"	-	"	-	"	-	287,203	574,406	"
15	Tianjin Heyi International Trading Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	79,122	60,295	-	2.15%	"	-	"	-	"	-	96,271	192,542	"
16	Tangshan Heling Lexus Motor Sales & Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	263,741	215,341	86,136	2.15%	"	-	"	-	"	-	327,280	654,560	"
17	Nanchang Heling Lexus Motor Sales & Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	307,698	301,477	158,620	2.15%	"	-	"	-	"	-	411,346	822,692	"
18	Zaozhuang Ho-Yu Toyota Motor Sales & Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	130,334	129,204	26,358	2.15%	"	-	"	-	"	-	228,770	457,540	"
19	ZaoZhuang Ho-Wan Motor Sales & Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	34,756	34,454	21,534	2.15%	"	-	"	-	"	-	45,010	90,020	"
20	Hotong Motor Investment Co., Ltd.	Shanghai Heling Motor Service Co., Ltd.	"	Y	659,353	538,352	-	2.85%	"	-	"	-	"	-	7,664,921	15,329,842	Note 2
20	Hotong Motor Investment Co., Ltd.	Shanghai Hoyu Motor Service Co., Ltd.	"	Y	219,784	215,341	-	2.85%	"	-	"	-	"	-	7,664,921	15,329,842	"
20	Hotong Motor Investment Co., Ltd.	Shanghai Hozhan Motor Service Co., Ltd.	"	Y	131,871	129,204	59,364	2.85%	"	-	"	-	"	-	7,664,921	15,329,842	"
20	Hotong Motor Investment Co., Ltd.	Shanghai Yangpu Heling Lexus Motor Sales & Service Co., Ltd.	"	Y	285,720	279,943	-	2.85%	"	-	"	-	"	-	7,664,921	15,329,842	"
20	Hotong Motor Investment Co., Ltd.	Shanghai Ho-Mian Motor Technology Co., Ltd.	"	Y	87,914	86,136	-	2.85%	"	-	"	-	"	-	7,664,921	15,329,842	"
20	Hotong Motor Investment Co., Ltd.	Shanghai Guangxin Cultural Media Co., Ltd.	"	Y	8,689	8,614	-	2.85%	"	-	"	-	"	-	7,664,921	15,329,842	"

Number	Creditor	Borrower	General ledger account	Related party	Maximum outstanding balance during the nine months ended	Balance at	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted	Footnote	
					September 30, 2021	September 30, 2021						Allowance for doubtful accounts	Item Value				
20	Hotong Motor Investment Co., Ltd.	Shanghai Hoxin Motor Service Consulting Co.,Ltd.	Other receivables	Y	13,033	12,920	-	2.85%	Short-term financing	-	Operations	-	None	-	7,664,921	15,329,842	Note 2
20	Hotong Motor Investment Co., Ltd.	Shanghai HoChen Motor Technology Co., Ltd.	"	Y	219,784	215,341	170,377	2.85%	"	-	"	-	"	-	7,664,921	15,329,842	"
20	Hotong Motor Investment Co., Ltd.	Shanghai Jiading Heling Lexus Motor Service Co., Ltd.	"	Y	173,779	172,272	-	2.85%	"	-	"	-	"	-	7,664,921	15,329,842	"
20	Hotong Motor Investment Co., Ltd.	Shanghai Ho-Qian Logistics Equipment Trading Co., Ltd.	"	Y	43,445	43,068	-	3.35%	"	-	"	-	"	-	7,664,921	15,329,842	"
20	Hotong Motor Investment Co., Ltd.	Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	"	Y	461,547	452,215	-	2.85%	"	-	"	-	"	-	7,664,921	15,329,842	"
20	Hotong Motor Investment Co., Ltd.	Tianjin Heling Lexus Motor Sales & Service Co., Ltd.	"	Y	351,655	344,545	-	2.85%	"	-	"	-	"	-	7,664,921	15,329,842	"
20	Hotong Motor Investment Co., Ltd.	Tianjin Ho-Yu Motor Sales & Service Co., Ltd.	"	Y	175,828	172,272	-	2.85%	"	-	"	-	"	-	7,664,921	15,329,842	"
20	Hotong Motor Investment Co., Ltd.	Tianjin Hozhan Motor Service Co., Ltd.	"	Y	131,871	129,204	-	2.85%	"	-	"	-	"	-	7,664,921	15,329,842	"
20	Hotong Motor Investment Co., Ltd.	Tianjin Heyi International Trading Co., Ltd.	"	Y	217,224	215,341	3,316	2.85%	"	-	"	-	"	-	7,664,921	15,329,842	"
20	Hotong Motor Investment Co., Ltd.	Tangshan Heling Lexus Motor Sales & Service Co., Ltd.	"	Y	351,655	344,545	-	2.85%	"	-	"	-	"	-	7,664,921	15,329,842	"
20	Hotong Motor Investment Co., Ltd.	Nanchang Heling Lexus Motor Sales & Service Co., Ltd.	"	Y	219,784	215,341	-	2.85%	"	-	"	-	"	-	7,664,921	15,329,842	"
20	Hotong Motor Investment Co., Ltd.	Zaozhuang Ho-Yu Toyota Motor Sales & Service Co., Ltd.	"	Y	175,828	172,272	-	2.85%	"	-	"	-	"	-	7,664,921	15,329,842	"
20	Hotong Motor Investment Co., Ltd.	ZaoZhuang Ho-Wan Motor Sales & Service Co.,Ltd	"	Y	43,445	43,068	-	2.85%	"	-	"	-	"	-	7,664,921	15,329,842	"
20	Hotong Motor Investment Co., Ltd.	Nanjing HoZhan Motor Sales and Service Co.,LTD.	"	Y	87,914	86,136	-	2.85%	"	-	"	-	"	-	1,532,984	3,065,968	Note 3
20	Hotong Motor Investment Co., Ltd.	Hoyun International Lease Co., Ltd.	"	Y	738,561	732,158	732,158	3.35%	"	-	"	-	"	-	1,532,984	3,065,968	"
20	Hotong Motor Investment Co., Ltd.	Beijing Heling Lexus Motor Sales & Service Co., Ltd.	"	Y	131,871	129,204	129,204	3.35%	"	-	"	-	"	-	1,532,984	3,065,968	"
20	Hotong Motor Investment Co., Ltd.	Chongqing Taikang Heling Lexus Motor Sales & Service Co.,Ltd.	"	Y	131,871	129,204	86,136	3.35%	"	-	"	-	"	-	1,532,984	3,065,968	"
20	Hotong Motor Investment Co., Ltd.	Tianjin Binhai New Area Heling LEXUS Motor Service Co., Ltd.	"	Y	87,914	86,136	43,068	3.35%	"	-	"	-	"	-	1,532,984	3,065,968	"
20	Hotong Motor Investment Co., Ltd.	Taiyuan Zhongdu Heling LEXUS MotorSales & Service Co., Ltd.	"	Y	65,167	64,602	34,454	3.35%	"	-	"	-	"	-	1,532,984	3,065,968	"

Note 1: The limit on total loans to the borrower and creditor whose voting rights are both 100% owned directly and indirectly by the Company is 200% of the creditor's net value. The limit on loans to a single entity is 100% of the company's total equity.

Note 2: For Hotong Motor Investment Co., Ltd., the limit on total loans to foreign companies whose voting rights are 100% owned directly and indirectly by the same parent company is 200% of the company's total equity. The limit on loans to a single entity is 100% of the company's total equity.

Note 3: The limit on total loans to the borrower (HOTONG MOTOR INVESTMENT CO., LTD.) and creditor (Nanjing HoZhan Motor Sales and Service Co., Ltd., Hoyun International Lease Co., Ltd., Beijing Heling Lexus Motor Sales & Service Co., Ltd., Chongqing Taikang Heling Lexus Motor Sales & Service Co., Ltd., Tianjin Binhai New Area Heling LEXUS Motor Service Co., Ltd., Taiyuan Zhongdu Heling LEXUS Motor Sales & Service Co., Ltd.) for operations short-term financing is prescribed in the HOTONG MOTOR INVESTMENT CO., LTD.'s "Procedures for Provision of Loans"; the limit on loans to others is 40% of the company's net value and to a single entity is 20% of the company's net value.

Note 4: The limit on total loans to the borrower (CHONGQING HELING LEXUS MOTOR SALES & SERVICE CO.,LTD.) and creditor (Chongqing Taikang Heling Lexus Motor Sales & Service Co.,Ltd.) for operations short-term financing is prescribed in the CHONGQING HELING LEXUS MOTOR SALES & SERVICE CO.,LTD.'s "Procedures for Provision of Loans"; the limit on loans to others is 40% of the company's net value and to a single entity is 20% of the company's net value.

Ho Tai Motor Co., Ltd.
Provision of endorsements and guarantees to others
Nine months ended September 30, 2021

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Table 2

Number	Endorser/ guarantor	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party	Maximum outstanding endorsement/ guarantee amount as of September 30, 2021	Outstanding endorsement/ guarantee amount at September 30, 2021	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China	Footnote
		Company name	Relationship with the endorser/guarantor											
0	Ho Tai Motor Co., Ltd.	Shanghai Ho-Qian Logistics Equipment Trading Co., Ltd.	Note 5.b	\$ 20,885,475	\$ 42,803	\$ -	\$ -	\$ -	0.00%	\$ 34,809,126	Y	N	Y	Note 1
1	Hotai Finance Co., Ltd.	Hoyun International Lease Co., Ltd.	Note 5.a	21,833,124	2,176,516	2,153,406	1,800,658	-	9.86%	21,833,124	Y	N	Y	Note 2
1	Hotai Finance Co., Ltd.	Hoyun (Shanghai) Commerical Factoring Co., Ltd.	"	21,833,124	361,734	354,590	300,096	-	1.62%	21,833,124	Y	N	Y	"
2	Toyota Material Handling Taiwan Ltd.	Shanghai Ho-Quian Logistics Equipment Trading Co., Ltd.	Note 5. b	294,388	28,535	27,850	-	-	2.84%	490,646	Y	N	Y	Note 3.4

Note 1 : The limit on total endorsement is no more than 50% of the Company's total equity; the limit on endorsement for any single entity is no more than 30% of the Company's total equity.

Note 2 : For Hotai Financial Co., Ltd. the limit on total endorsement is no more than 100% of its total equity; the limit on endorsement for any single entity is no more than 100% of the Company's total equity.

Note 3 : Toyota Material Handling Taiwan Ltd. was renamed as Toyota Material Handling Taiwan Ltd. on August 24, 2020.

Note 4 : For Toyota Material Handling Taiwan Ltd., the limited on total endorsement is no more than 50% of its total equity; the limit on endorsement for any single entity is no more than 30% of the Company's total equity.

Note 5 : Relationship between the endorser/guarantor:

a. The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/guaranteed company.

b. The endorser/guarantor parent company owns directly and indirectly more than 90% voting shares of the endorsed/guaranteed company.

Ho Tai Motor Co., Ltd.
Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)
Nine months ended September 30, 2021
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Table 3

Securities held by	Type and name of securities	Relationship with the securities issuer	General ledger account	As of September 30, 2021				Footnote
				Number of shares	Book value	Ownership (%)	Fair value	
Ho Tai Motor Co., Ltd.	Stock - Mega Financial Holding Company	None	Financial assets at fair value through other comprehensive income - non-current	20,617,157	\$ 660,780	0.15%	\$ 660,780	
	- Toyota Motor Corporation	-	"	15,956,000	7,946,088	0.10%	7,946,088	
	- Shihlin Electric & Engineering Corporation Etc.	None	"	-	110,793	0.00%~0.42%	110,793	
	Taian Insurance Co., Ltd. Etc.	-	"	-	337,649	0.42%~3.10%	337,649	
	Nan Shan Life Insurance Perpetual Subordinated Bonds	None	Financial assets at fair value through profit or loss - non-current	-	\$ 500,000	-	\$ 500,000	
	Stock - Toyota Motor Corporation	-	Financial assets at fair value through profit or loss - current	606,500	276,543	0.00%	302,037	
			Valuation adjustment of financial assets		25,494		-	
			Total		\$ 802,037		\$ 802,037	
Hozan Investment Co., Ltd.	Ho An Insurance Agency Co., Ltd. Etc.	-	Financial assets at fair value through other comprehensive income - non-current	-	\$ 3,174	0.50%	\$ 3,174	
Toyota Material Handling Taiwan Ltd.	Beneficiary certificates	Not applicable	Financial assets at fair value through profit or loss - current	49,471,383	\$ 506,728	-	\$ 516,873	
	- Franklin Templeton Sinoam Money Market Fund		Valuation adjustment of financial assets		10,145		-	
			Total		\$ 516,873		\$ 516,873	
Carmax Co., Ltd.	Ho An Insurance Agency Co., Ltd. Etc.	-	Financial assets at fair value through other comprehensive income - non-current	-	\$ 3,630	0.01%~0.50%	\$ 3,630	
	Beneficiary certificates							
	- Franklin Templeton Sinoam Money Market Fund	Not applicable	Financial assets at fair value through profit or loss - current	35,665,722	\$ 370,000	-	\$ 372,632	
			Valuation adjustment of financial assets		2,632		-	
			Total		\$ 372,632		\$ 372,632	
Ho Tai Development Co., Ltd.	Stock - First Financial Holding Co. Ltd. Etc.	-	Financial assets at fair value through other comprehensive income - non-current	-	\$ 1,894	-	\$ 1,894	
	Ho An Insurance Agency Co., Ltd. Etc.	-	"	-	3,630	0.01%~0.51%	3,630	
	President securites Corp-PGNW0085	Not applicable	Financial assets at fair value through profit or loss - current	-	\$ 548,942	-	\$ 549,733	
			Valuation adjustment of financial assets		791		-	
			Total		\$ 549,733		\$ 549,733	
Ho Tai Service & Marketing Co., Ltd	Bestaiwan Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current	11,974	\$ -	0.11%	\$ -	
	Beneficiary certificates	Not applicable	Financial assets at fair value through profit or loss - current	2,527,891	\$ 30,000	-	\$ 30,544	
	- BOT Money Market Fund		Valuation adjustment of financial assets		544		-	
			Total		\$ 30,544		\$ 30,544	

Securities held by	Type and name of securities	Relationship with the securities issuer	General ledger account	As of September 30, 2021				Footnote
				Number of shares	Book value	Ownership (%)	Fair value	
Hotai Finance Co., Ltd.	Ho An Insurance Agency Co., Ltd. Etc.	-	Financial assets at fair value through other comprehensive income - non-current	-	\$ 3,174	0.50%	\$ 3,174	
Hotai Leasing Co., Ltd.	Ho An Insurance Agency Co., Ltd. Etc.	-	"	-	\$ 3,174	0.50%	3,174	
Hotai Connected Co., Ltd	Beneficiary certificates			6,674,920	\$ 69,413	-	\$ 69,739	
	- Franklin Templeton Sinoam Money Market Fund	Not applicable	Financial assets at fair value through profit or loss - current					
	- Mega Diamond Money Market Fund	"	"	15,862,315	200,000	-	201,004	
			Valuation adjustment of financial assets		1,330		-	
			Total		\$ 270,743		\$ 270,743	
Hotai Innovation marketing corporation	Beneficiary certificates							
	- Franklin Templeton Sinoam Money Market Fund	Not applicable	Financial assets at fair value through profit or loss - current	4,827,821	\$ 50,000	-	\$ 50,440	
			Valuation adjustment of financial assets		440		-	
			Total		\$ 50,440		\$ 50,440	
Hotai Mobility Service Co., Ltd.	Beneficiary certificates - Franklin Templeton Sinoam Money Market Fund	Not applicable	Financial assets at fair value through profit or loss - current	8,647,816	\$ 90,000	-	\$ 90,352	
	- Mega Diamond Money Market Fund	"	"	3,962,122	50,000	-	50,206	
	- CTBC Hwa-win Money Market Fund	"	"	8,935,809	99,319	-	99,388	
			Valuation adjustment of financial assets		627		-	
			Total		\$ 239,946		\$ 239,946	
Hotong Motor Investment Co., Ltd.	Structured deposit - Fubon Bank (China) Co., Ltd.	Not applicable	Financial assets at fair value through profit or loss - current	-	\$ 430,681	-	\$ 431,442	
	Structured deposit - Cathay United Bank	"	"	-	430,681	-	\$ 431,359	
			Valuation adjustment of financial assets		1,439		-	
			Total		\$ 862,801		\$ 862,801	
Shanghai Ho-Yu (BVI) Investment Co., Ltd.	YU-TU (BVI) Finance Investment Corporation	None	Financial assets at fair value through other comprehensive income - non-current	-	\$ 21,309	10.48%	\$ 21,309	

Note: Hotai Insurance Co., Ltd. does not need to be disclosed as it is an insurance company.

Ho Tai Motor Co., Ltd.
Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital
Nine months ended September 30, 2021
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Table 4

Investor	Marketable securities	General ledger account	Counterparty	Relationship with the investor	Balance as at January 1, 2021		Addition		Disposal			Balance as at September 30, 2021		
					Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value	Gain (loss) on disposal	Number of shares	Amount
Hotai Motor Co., Ltd.	Hotai AutoBody Manufacturing Co., Ltd.	Investments accounted for using equity method	Hotai AutoBody Manufacturing Co., Ltd.	Subsidiaries	-	\$ -	-	\$ -	-	\$ -	\$ -	\$ -	-	\$ -
Hotai Connected Co., Ltd.	Hoing Mobility Service Co., Ltd.	Investments accounted for using equity method	Hoing Mobility Service Co., Ltd.	Associates	-	\$ -	-	\$ -	-	\$ -	\$ -	\$ -	-	\$ -
Hotai Leasing Co., Ltd.	Hoing Mobility Service Co., Ltd.	Investments accounted for using equity method	Hoing Mobility Service Co., Ltd.	Associates	-	\$ -	-	\$ -	-	\$ -	\$ -	\$ -	-	\$ -
Hotai Finance Co., Ltd.	Hoyun (Shanghai) Vehicle Leasing Ltd.	Investments accounted for using equity method	Hoyun (Shanghai) Vehicle Leasing Ltd.	Subsidiaries	-	\$ -	-	\$ -	-	\$ -	\$ -	\$ -	-	\$ -
Ho Tai Development Co., Ltd.	President securities Corp.-PGN0085	Financial assets at fair value through profit or loss - current	Not applicable	Not applicable	-	\$ 695,943	-	\$ 184,962	-	\$ 331,963	\$ 331,963	\$ -	-	\$ 549,733
Hotong Motor Investment Co., Ltd.	Structured deposit	Financial assets at fair value through profit or loss - current	Not applicable	Not applicable	-	\$ -	-	\$ 430,681	-	\$ -	\$ -	\$ -	-	\$ 431,442
Hotong Motor Investment Co., Ltd.	Structured deposit	Financial assets at fair value through profit or loss - current	Not applicable	Not applicable	-	\$ -	-	\$ 430,681	-	\$ -	\$ -	\$ -	-	\$ 431,359

Note: Hotai Insurance Co., Ltd. does not need to be disclosed as it is an insurance company.

Ho Tai Motor Co., Ltd.

Acquisition or sale of the property with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital

Nine months ended September 30, 2021

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Table 5

Real estate acquired by	Real estate acquired	Date of the event	Transaction amount	Status of payment	Counterparty	Relationship with the counterparty	If the counterparty is a related party, information as to the last transaction of the real estate is disclosed below:				Basis or reference used in setting the price	Reason for acquisition of real estate and status of the real estate	Other commitments
							Original owner who sold the real estate to the counterparty	Relationship between the original owner and the acquirer	Date of the original transaction	Amount			
Hotai Finance Co., Ltd.	No. 16-4, Jiuzong Sec., Neihu Dist., Taipei City	February 4, 2021	\$719,500	Paid in full	Lian Hong Construction Co., Ltd.	Non-related party	-	-	-	-	Valuations by professional appraisers	Future operation demand	None

Note 1: The appraisal result should be presented in the 'Basis or reference used in setting the price' column if the real estate acquired should be appraised pursuant to the regulations.

Note 2: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT\$10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.

Note 3: Date of the event referred to herein is the date of contract signing, date of payment, date of execution of a trading order, date of title transfer, date of board resolution, or other date that can confirm the counterparty and the monetary amount of the transaction, whichever is earlier.

Ho Tai Motor Co., Ltd.
Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more
Nine months ended September 30, 2021
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Table 6

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction		Percentage of total purchases (sales)	Credit term	Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount			Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
Ho Tai Motor Co., Ltd.	Central Motor Co., Ltd.	Associates	Sales	\$ 21,523,458	20%	Closes its accounts on the next Monday and Wednesday after the end of each week, interest bearing from transaction date	Normal	Normal	\$ 251,318	13%	
Ho Tai Motor Co., Ltd.	Tau Miao Motor Co., Ltd.	"	"	19,620,819	18%	Closes its accounts on the next Monday and Wednesday after the end of each week, interest bearing from transaction date	"	"	252,967	13%	
Ho Tai Motor Co., Ltd.	Kuotu Motor Co., Ltd.	"	"	14,830,200	14%	Closes its accounts on the next Monday and Wednesday after the end of each week, interest bearing from transaction date	"	"	101,187	5%	
Ho Tai Motor Co., Ltd.	Taipei Toyota Motor Co., Ltd.	"	"	1,575,309	14%	Closes its accounts on the next Monday and Wednesday after the end of each week, interest bearing from transaction date	"	"	180,760	9%	
Ho Tai Motor Co., Ltd.	Kau Du Automobile Co., Ltd.	"	"	14,568,341	14%	Closes its accounts on the next Monday and Wednesday after the end of each week, interest bearing from transaction date	"	"	196,370	10%	
Ho Tai Motor Co., Ltd.	Nan Du Motor Co., Ltd.	"	"	12,931,545	12%	Closes its accounts on the next Monday and Wednesday after the end of each week, interest bearing from transaction date	"	"	182,278	9%	
Ho Tai Motor Co., Ltd.	Chang Yuan Motor Co., Ltd.	Subsidiary	"	2,269,307	2%	Closes its accounts on the next Monday and Wednesday after the end of each week, interest bearing from transaction date	Not applicable	"	350,285	18%	
Ho Tai Motor Co., Ltd.	Lang Yang Toyota Motor Co., Ltd.	Associates	"	2,205,005	2%	Closes its accounts on the next Monday and Wednesday after the end of each week, interest bearing from transaction date	Normal	"	31,024	2%	
Ho Tai Motor Co., Ltd.	Eastern Motor Co., Ltd.	Subsidiary	"	2,012,432	2%	Closes its accounts on the next Monday and Wednesday after the end of each week, interest bearing from transaction date	"	"	28,054	1%	
Ho Tai Motor Co., Ltd.	Hotai Leasing Co., Ltd.	Subsidiary	"	737,099	1%	Collection at sight	"	"	214,440	11%	
Ho Tai Motor Co., Ltd.	Hoing Mobility Service Co., Ltd.	Subsidiary	"	726,990	1%	Collection at sight	"	"	-	-	
Ho Tai Motor Co., Ltd.	Toyota Motor Corporation	Entity controlled by the Company's key management	Purchases	33,570,549	36%	Closes its accounts 15 days after the end of each month	Not applicable	"	(778,158)	27%	
Ho Tai Motor Co., Ltd.	Kuozui Motors, Ltd.	Associates	"	35,192,676	37%	Closes its accounts on the next Monday and Wednesday after the end of each week, interest bearing from transaction date	"	"	(757,057)	26%	

Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Transaction			Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
				Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
Ho Tai Motor Co., Ltd.	Toyota Motor Asia Pacific Pte Ltd.	Entity controlled by the Company's key management	Purchases	2,747,881	3%	Closes its accounts 15 days after the end of each month	Not applicable	Normal	(271,157)	9%	
Ho Tai Motor Co., Ltd.	Carmax Co., Ltd.	Subsidiary	"	1,709,694	2%	Closes its accounts 16 days after the end of each month	"	"	(92,289)	3%	
Ho Tai Motor Co., Ltd.	Toyota Motor Europe - NV/SA	Entity controlled by the Company's key management	"	636,547	1%	Closes its accounts 15 days after the end of each month	"	"	(30,902)	1%	
Ho Tai Motor Co., Ltd.	Yokohama Tire Taiwan Co., Ltd.	Associates	"	637,907	1%	Closes its accounts 16 days after the end of each month	"	"	(65,789)	2%	
Ho Tai Motor Co., Ltd.	Hino Motors, Ltd.	Entity controlled by the Company's key management	"	238,712	-	Closes its accounts 15 days after the end of each month	"	"	(25,461)	1%	
Ho Tai Motor Co., Ltd.	Toyota-Motor-Sales-USA	"	"	806,537	1%	Closes its accounts 15 days after the end of each month	"	"	(73,887)	3%	
Chang Yuan Motor Co., Ltd.	Hozao Enterprise Co., Ltd.	Associates	Sales	413,324	3%	14 days after invoice date	Normal	"	23,136	1%	
Chang Yuan Motor Co., Ltd.	Lang Yang Toyota Motor Co., Ltd.	"	"	217,304	1%	Closes its accounts on the next Monday and Wednesday after the end of each week	"	"	21,340	1%	
Chang Yuan Motor Co., Ltd.	Hotai Leasing Co., Ltd.	"	"	417,542	3%	Collection at sight	"	"	17	-	
Chang Yuan Motor Co., Ltd.	Kuozui Motors, Ltd.	"	Purchases	10,457,418	76%	Closes its accounts on the next Monday and Wednesday after the end of each week	Not applicable	Not applicabl	(221,474)	27%	
Chang Yuan Motor Co., Ltd.	Ho Tai Motor Co., Ltd.	Ultimate parent company	"	2,269,307	16%	Closes its accounts on the next Monday and Wednesday after the end of each week, interest bearing from transaction date	"	"	(350,285)	43%	
Carmax Co., Ltd.	Ho Tai Motor Co., Ltd.	"	Sales	1,709,694	34%	Closes its accounts 16 days after the end of each month	Normal	Normal	92,289	11%	
Carmax Co., Ltd.	Kuozui Motors, Ltd.	Associates	"	724,233	14%	Closes its accounts 10 days after the end of each month	"	"	139,265	16%	
Carmax Co., Ltd.	Zhongyang Motor Co., Ltd.	"	"	248,868	5%	Closes its accounts 35 days after the end of each month	"	"	27,137	3%	
Carmax Co., Ltd.	Wang Fu Co., Ltd.	"	"	242,877	5%	Closes its accounts 35 days after the end of each month	"	"	18,822	2%	
Carmax Co., Ltd.	Innovation AUTO Parts Co., Ltd.	"	"	181,233	4%	Closes its accounts 25 days after the end of each month	"	"	12,558	1%	
Carmax Co., Ltd.	Nan I Motor Co., Ltd.	"	"	164,147	3%	Closes its accounts 90 days after the end of each month	"	"	15,209	2%	
Carmax Co., Ltd.	Chang Guan Logistics Co., Ltd.	"	"	129,353	3%	Closes its accounts 40 days after the end of each month	"	"	-	-	
Carmax Co., Ltd.	Smart Design Technology Co., Ltd.	Subsidiary	Purchases	623,689	15%	Closes its accounts 10 days after the end of each month	"	"	(50,671)	9%	
Carmax Co., Ltd.	Carmax Autotech (Shanghai) Co., Ltd.	"	"	191,292	5%	Closes its accounts 30 days after the end of each month	"	"	(46,635)	8%	

Table 6, Page 2

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
Carmax Autotech (Shanghai) Co., Ltd.	Carmax Co., Ltd.	Parent company	Sales	191,292	47%	Closes its accounts 30 days after the end of each month	Normal	Normal	46,635	56%	
Carmax Co., Ltd.	AIM Technology Corp.	Subsidiary	Purchases	992,451	25%	Closes its accounts 21 days after the end of each month	"	"	(125,281)	23%	
Hotai Leasing Co., Ltd.	Kuotu Motor Co., Ltd.	Associates	"	2,120,815	18%	Payment at sight	"	"	(6,477)	3%	Note
Hotai Leasing Co., Ltd.	Taipei Toyota Motor Co., Ltd.	"	"	952,556	8%	Payment at sight	"	"	-	-	"
Hotai Leasing Co., Ltd.	Ho Tai Motor Co., Ltd.	Ultimate parent company	"	737,009	6%	Payment at sight	"	"	(214,440)	32%	"
Hotai Leasing Co., Ltd.	Central Motor Co., Ltd.	Associates	"	819,380	7%	Payment at sight	"	"	(1,850)	1%	"
Hotai Leasing Co., Ltd.	Tau Miao Motor Co., Ltd.	"	"	690,591	6%	Payment at sight	"	"	(568)	-	"
Hotai Leasing Co., Ltd.	Kau Du Automobile Co., Ltd.	"	"	551,165	5%	Payment at sight	"	"	-	-	"
Hotai Leasing Co., Ltd.	Chang Yuan Motor Co., Ltd.	"	"	417,542	4%	Payment at sight	"	"	(17)	-	"
Hotai Leasing Co., Ltd.	Nan Du Motor Co., Ltd.	"	"	387,102	3%	Payment at sight	"	"	-	-	"
Hoing Mobility Service Co., Ltd.	Ho Tai Motor Co., Ltd.	Ultimate parent company	"	726,990	59%	Payment at sight	"	"	-	-	"
Eastern Motor Co., Ltd.	Ho Tai Motor Co., Ltd.	"	"	2,012,432	100%	Closes its accounts on the next Monday and Wednesday after the end of each week, interest bearing from transaction date	"	"	(28,054)	64%	
Toyota Material Handling Taiwan Ltd.	Toyota Industries Corporation	Entity controlled by the Company's key management	"	284,126	62%	Closes its accounts 15 days after the end of each month	Not applicable	"	(20,072)	28%	
Smart Design Technology Co., Ltd.	Carmax Co., Ltd.	Parent company	Sales	623,689	94%	Closes its accounts 10 days after the end of each month	Normal	"	50,671	91%	
Ho Tai Development Co., Ltd.	Ho Tai Parts & Accessories Co., Ltd.	Subsidiary	Purchases	261,796	3%	Closes its accounts 26 days after the end of each month	"	"	(20,469)	15%	
Ho Tai Development Co., Ltd.	Ho Tai Service & Marketing Co., Ltd.	"	"	199,987	3%	Closes its accounts 60 days after the end of each month	"	"	(19,214)	1%	
Ho Tai Parts & Accessories Co., Ltd.	Ho Tai Development Co., Ltd.	Parent company	Sales	261,796	92%	Closes its accounts 26 days after the end of each month	"	"	20,469	84%	
Ho Tai Service & Marketing Co., Ltd.	Ho Tai Development Co., Ltd.	"	"	199,987	48%	Closes its accounts 60 days after the end of each month	"	"	19,214	37%	
Shanghai Heling Motor Service Co., Ltd.	Hoyun International Lease Co., Ltd.	Subsidiary	"	115,629	4%	Collection at sight	"	"	-	-	
Shanghai Heling Motor Service Co., Ltd.	Toyota Motor (China) Investment Co., Ltd.	Entity controlled by the Company's key management	Purchases	2,904,027	99%	Payment in advance	"	"	-	-	
Shanghai Hozhan Motor Service Co., Ltd.	Tianjin Heyi International Trading Co., Ltd.	Subsidiary	Sales	187,102	45%	Payment in advance	"	"	-	-	
Shanghai Hozhan Motor Service Co., Ltd.	Toyota Motor (China) Investment Co., Ltd.	Entity controlled by the Company's key management	Purchases	246,090	15%	Payment in advance	"	"	-	-	

Table 6, Page 3

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	Toyota Motor (China) Investment Co., Ltd.	Entity controlled by the Company's key management	Purchases	2,099,208	97%	Payment in advance	Normal	Normal	-	-	
Nanchang Heling Lexus Motors Sales & Service Co., Ltd.	Toyota Motor (China) Investment Co., Ltd.	"	"	1,643,574	82%	Payment in advance	"	"	-	-	
Shanghai Yangpu Heling Lexus Motor Sale & Service	Toyota Motor (China) Investment Co., Ltd.	"	"	1,885,441	91%	Payment in advance	"	"	-	-	
Tangshan Heling Lexus Motor Sales & Service Co., Ltd.	Toyota Motor (China) Investment Co., Ltd.	"	"	1,025,768	94%	Payment in advance	"	"	-	-	
Tianjin Heling Lexus Motor Sales & Service Co., Ltd.	Toyota Motor (China) Investment Co., Ltd.	"	"	1,460,371	97%	Payment in advance	"	"	-	-	

Note: Hotai Leasing Co., Ltd., and Hoing Mobility Service Corporation, purchase vehicles from parent company or associates for renting services, the related assets are reported under property, plant, and equipment.

Ho Tai Motor Co., Ltd.
Receivables from related parties reaching \$100 million or 20% of paid-in capital or more
Nine months ended September 30, 2021
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Table 7

Creditor	Counterparty	Relationship with the counterparty	Balance as at September 30, 2021		Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
						Amount	Action taken		
Ho Tai Motor Co., Ltd.	Central Motor Co., Ltd.	Associates	Accounts receivable	\$ 251,318	150.34	-	-	\$ 251,318	-
			Other receivables	\$ 8,594				8,594	
Ho Tai Motor Co., Ltd.	Tau Miao Motor Co., Ltd.	"	Accounts receivable	\$ 252,967	142.49	-	-	252,967	-
			Other receivables	\$ 9,373				9,373	
Ho Tai Motor Co., Ltd.	Chang Yuan Motor Co., Ltd.	Subsidiary	Accounts receivable	\$ 350,285	10.23	-	-	350,285	-
			Other receivables	\$ 17,927				17,927	
Ho Tai Motor Co., Ltd.	Taipei Toyota Motor Co., Ltd.	Associates	Accounts receivable	\$ 180,760	153.70	-	-	180,760	-
			Other receivables	\$ 6,480				6,480	
Ho Tai Motor Co., Ltd.	Nan Du Motor Co., Ltd.	"	Accounts receivable	\$ 182,278	135.81	-	-	182,278	-
			Other receivables	\$ 5,446				5,446	
Ho Tai Motor Co., Ltd.	Kau Du Automobile Co., Ltd.	"	Accounts receivable	\$ 196,370	145.75	-	-	196,370	-
			Other receivables	\$ 7,424				7,424	
Ho Tai Motor Co., Ltd.	HOTAI LEASING CO., LTD.	Subsidiary	Accounts receivable	\$ 214,440	8.14	-	-	214,440	-
			Other receivables	\$ 2,631				2,631	
Ho Tai Motor Co., Ltd.	Kuotu Motor Co., Ltd.	Associates	Accounts receivable	\$ 101,187	207.79	-	-	101,187	-
			Other receivables	\$ 27,910				27,910	
Carmax Co., Ltd.	Kuozui Motors, Ltd.	"	Accounts receivable	\$ 139,265	16.00	-	-	139,265	-
Carmax Co., Ltd.	Ho Tai Motor Co., Ltd.	Ultimate parent company	Accounts receivable	\$ 92,289	16.13	-	-	92,289	-

Ho Tai Motor Co., Ltd.
Significant inter-company transactions during the reporting periods
Nine months ended September 30, 2021
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Table 8

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of total operating revenues or total assets
				General ledger account	Amount	Transaction terms	
0	Ho Tai Motor Co., Ltd.	Chang Yuan Motor Co., Ltd.	1	Sales revenue	\$ 2,269,307	Closes its accounts on the next Monday and Wednesday after the end of each week, interest bearing from transaction date	1%
0	Ho Tai Motor Co., Ltd.	Chang Yuan Motor Co., Ltd.	1	Service revenue	1,382,395	Closes its accounts 16 days after the end of following two months	1%
0	Ho Tai Motor Co., Ltd.	Chang Yuan Motor Co., Ltd.	1	Accounts receivable	350,285	Closes its accounts on the next Monday and Wednesday after the end of each week, interest bearing from transaction date	-
0	Ho Tai Motor Co., Ltd.	Chang Yuan Motor Co., Ltd.	1	Rent income	61,356		-
0	Ho Tai Motor Co., Ltd.	Eastern Motor Co., Ltd.	1	Sales revenue	2,012,432	Closes its accounts on the next Monday and Wednesday after the end of each week, interest bearing from transaction date	1%
0	Ho Tai Motor Co., Ltd.	Hotai Leasing Co., Ltd.	1	Accounts receivable	214,440		-
0	Ho Tai Motor Co., Ltd.	Carmax Co., Ltd.	1	Accounts payable	92,289	Closes its accounts 16 days after the end of each month	-
0	Ho Tai Motor Co., Ltd.	Carmax Co., Ltd.	1	Sales revenue	93,233	Collection at sight	-
0	Ho Tai Motor Co., Ltd.	Hotai Leasing Co., Ltd.	1	Sales revenue	737,099	Collection at sight	-
0	Ho Tai Motor Co., Ltd.	Hoing Mobility Service Corporation	1	Sales revenue	726,990	Collection at sight	-
0	Ho Tai Motor Co., Ltd.	Hotai Finance Co., Ltd.	1	Sales discounts and allowances	139,468	Closes its accounts 16 days after the end of each month	-
1	Chang Yuan Motor Co., Ltd.	Eastern Motor Co., Ltd.	3	Sales revenue	75,444	Collection at sight	-
1	Chang Yuan Motor Co., Ltd.	Hotai Finance Co., Ltd.	3	Sales revenue	209,848		-
1	Chang Yuan Motor Co., Ltd.	Hotai Leasing Co., Ltd.	3	Sales revenue	417,542	Collection at sight	-
2	Eastern Motor Co., Ltd.	Hotai Finance Co., Ltd.	3	Sales revenue	543,957	Collection at sight	-
3	Carmax Co., Ltd.	Ho Tai Motor Co., Ltd.	3	Sales revenue	1,709,694	Closes its accounts 16 days after the end of each month	1%
4	Carmax Autotech (Shanghai) Co.,Ltd.	Hotong Motor Investment Co., Ltd.	3	Sales revenue	107,927	Closes its accounts 30 days after the end of each month	-
5	Hotong Motor Investment Co., Ltd.	Tianjin Heling Lexus Motor Sales & Service Co., Ltd.	3	Other payables	122,916		-
5	Hotong Motor Investment Co., Ltd.	Tianjin Hozhan Motor Service Co., Ltd.	3	Other payables	136,827		-
5	Hotong Motor Investment Co., Ltd.	Shanghai Yangpu Heling Lexus Motor Sales & Service Co., Ltd.	3	Other payables	299,108		-

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of total operating revenues or total assets
				General ledger account	Amount	Transaction terms	
5	Hotong Motor Investment Co., Ltd.	Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	3	Other payables	126,547		-
5	Hotong Motor Investment Co., Ltd.	Tangshan Heling Lexus Motor Sales & Service Co., Ltd.	3	Other payables	86,136		-
5	Hotong Motor Investment Co., Ltd.	Nanchang Heling Lexus Motor Sales & Service Co., Ltd.	3	Other payables	158,620		-
5	Hotong Motor Investment Co., Ltd.	Shanghai Hochen Motor Technology Co., Ltd.	3	Other receivables	170,377		-
5	Hotong Motor Investment Co., Ltd.	Shanghai Ho-Qian Logistics Equipment Trading Co., Ltd.	3	Other payables	73,216		-
5	Hotong Motor Investment Co., Ltd.	Hoyun International Lease Co., Ltd.	3	Other receivables	732,158		-
5	Hotong Motor Investment Co., Ltd.	Shanghai Hozhan Motor Service Co., Ltd.	3	Other receivables	59,364		-
5	Hotong Motor Investment Co., Ltd.	Shanghai Jiading Heling Lexus Motor Service Co., Ltd.	3	Other payables	80,624		-
6	Shanghai Hoyu Motor Service Co., Ltd.	Tianjin Heyi International Trading Co., Ltd.	3	Sales revenue	56,816		-
7	SHANGHAI YANGPU HELING MOTOR SALE & SERVICE CO., LTD.	Hoyun International Lease Co., Ltd.	3	Sales revenue	70,900		-
8	Shanghai Heling Motor Service Co., Ltd.	Hoyun International Lease Co., Ltd.	3	Sales revenue	115,629		-
9	Shanghai Hozhan Motor Service Co., Ltd.	Tianjin Heyi International Trading Co., Ltd.	3	Sales revenue	187,102	Prepayments to suppliers	-
10	Hotai Leasing Co., Ltd.	Hoing Mobility Service Corporation	3	Sales revenue	314,288	Collection at sight	-
11	Ho Tai Service & Marketing Co., Ltd.	Ho Tai Development Co., Ltd.	3	Sales revenue	199,987	Closes its accounts 60 days after the end of each month	-
12	Hoing Mobility Service Corporation	Hotai Leasing Co., Ltd.	3	Rent income	62,820		-
13	Hotai Connected Co., Ltd.	Ho Tai Motor Co., Ltd.	2	Service revenue	123,542		-
14	Hoyun International Lease Co., Ltd.	Hoyun (Shanghai) Vehicle Leasing Ltd.	3	Property, plant and equipment; other non-current assets, others	469,140	Based on the agreement	-

Note 1 : The numbers filled for inter-company transactions are as follows:

- 1.The parent company is numbered "0".
- 2.The subsidiaries are numbered starting from "1".

Note 2 : The relationships among the transaction parties are as follows:

- 1.The parent company to the subsidiary.
- 2.The subsidiary to the parent company.
- 3.The subsidiary to another subsidiary.

Note 3 : The percentage of transaction amount over consolidated total revenues or total assets is as follows:

Assets and liabilities are calculated using the ending balance over the consolidated total assets at ending period;
Sales is calculated using the amount of the period over the consolidated total revenue of the period.

Ho Tai Motor Co., Ltd.

Names, locations and other information of investee companies (not including investees in Mainland China)

Nine months ended September 30, 2021

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Table 9

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at September 30, 2021			Net profit (loss) of the investee for the nine months ended September 30, 2021	Investment income (loss) recognized by the Company for the nine months ended September 30, 2021	Footnote
				Balance at September 30, 2021	Balance as at December 31, 2020	Number of shares	Ownership (%)	Book value			
Ho Tai Motor Co., Ltd.	Hozan Investment Co., Ltd.	Taiwan	General investment	\$ 7,201,122	\$ 7,201,122	-	100.00	\$ 22,548,040	\$ 2,324,124	\$ 2,313,945	Subsidiary
Ho Tai Motor Co., Ltd.	Kuozui Motors, Ltd.	"	Sales of vehicles and parts and manufacturing of vehicles	4,390,907	4,390,907	103,800,000	30.00	5,321,077	2,438,042	730,396	Investee company accounted for using the equity method
Ho Tai Motor Co., Ltd.	Shanghai Ho-Yu (BVI) Investment Co., Ltd.	British Virgin Islands	General investment	3,032,791	3,032,791	108,897,360	100.00	8,846,444	1,011,720	1,011,720	Subsidiary
Ho Tai Motor Co., Ltd.	Chang Yuan Motor Co., Ltd.	Taiwan	Sales of vehicles and parts and repairing of vehicles	326,463	326,463	313,500,000	100.00	4,296,841	510,931	510,931	"
Ho Tai Motor Co., Ltd.	Central Motor Co., Ltd.	"	"	2,098,966	2,098,966	15,000,000	20.00	2,614,642	558,850	109,464	Investee company accounted for using the equity method
Ho Tai Motor Co., Ltd.	Ho Tai Development Co., Ltd.	"	Agent for sales of air conditioning system and contracting of air conditioning construction	73,787	73,787	24,710,856	45.01	3,299,046	1,114,615	501,395	Subsidiary
Ho Tai Motor Co., Ltd.	Tau Miao Motor Co., Ltd.	"	Sales of vehicles and parts and repairing of vehicles	1,324,655	1,324,655	15,153,573	20.00	1,626,401	545,660	105,627	Investee company accounted for using the equity method
Ho Tai Motor Co., Ltd.	Kau Du Automobile Co., Ltd.	"	"	1,236,592	1,236,592	22,161,150	20.00	1,388,934	322,171	59,782	"
Ho Tai Motor Co., Ltd.	Carmax Co., Ltd.	"	Trading of vehicle products/accessories	153,030	153,030	22,950,000	51.00	1,422,395	768,916	392,147	Subsidiary
Ho Tai Motor Co., Ltd.	AIM Technology Corp.	"	"	16,500	16,500	1,650,000	15.00	17,296	5,254	788	Investee company accounted for using the equity method
Ho Tai Motor Co., Ltd.	Taipei Toyota Motor Co., Ltd.	"	Sales of vehicles and parts and repairing of vehicles	201,700	201,700	25,438,987	34.81	1,148,328	350,669	122,068	"
Ho Tai Motor Co., Ltd.	Kuotu Motor Co., Ltd.	"	"	1,010,667	1,010,667	17,553,761	20.18	1,272,641	483,411	97,552	"
Ho Tai Motor Co., Ltd.	Nan Du Motor Co., Ltd.	"	"	186,851	186,851	14,806,073	23.67	1,092,041	461,316	109,194	"
Ho Tai Motor Co., Ltd.	Toyota Material Handling Taiwan Ltd.	"	Sales of vehicles and parts for industry use	50,000	50,000	70,597,690	100.00	991,089	119,881	119,881	Subsidiary
Ho Tai Motor Co., Ltd.	Eastern Motor Co., Ltd.	"	Sales of vehicles and parts and repairing of vehicles	80,000	80,000	35,401,756	100.00	439,698	22,909	22,909	"
Ho Tai Motor Co., Ltd.	Lang Yang Toyota Motor Co., Ltd.	"	"	256,000	256,000	2,000,000	20.00	297,254	62,056	11,899	Investee company accounted for using the equity method
Ho Tai Motor Co., Ltd.	Formosa Flexible Packaging Corp.	"	Production and marketing of packaging products	87,520	87,520	1,295,108	44.44	384,760	13,357	5,936	"
Ho Tai Motor Co., Ltd.	Shi-Ho Screw Industrial Co., Ltd.	"	Manufacturing and sales of precision screws	7,400	7,400	211,433	21.14	126,426	32,102	6,786	"
Ho Tai Motor Co., Ltd.	Yokohama Tire Taiwan Co., Ltd.	"	Import and export of all kinds of tires and inner tubes	3,000	3,000	3,000	25.00	108,544	102,413	25,603	"
Ho Tai Motor Co., Ltd.	Smart Design Technology Co., Ltd.	"	Electronic parts and components manufacturing	10,763	10,763	960,961	20.00	33,974	57,594	11,519	Subsidiary
Ho Tai Motor Co., Ltd.	Hotai Connected Co., Ltd.	"	E-commerce platform services	879,060	579,060	113,000,000	100.00	740,826	(116,145)	(116,145)	"

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at September 30, 2021			Net profit (loss)	Investment income (loss)	Footnote
				Balance at September 30, 2021	Balance as at December 31, 2020	Number of shares	Ownership (%)	Book value	of the investee for the nine months ended September 30, 2021	recognized by the Company for the nine months ended September 30, 2021	
Ho Tai Motor Co., Ltd.	Hotai AutoBody Manufacturing Co., Ltd.	Taiwan	Car assembly business	500,000	-	50,000,000	50.00	498,066	(3,867)	(1,934)	Subsidiaries
Shanghai Ho-Yu (BVI) Investment Co., Ltd.	Tienjin Ho Yu Investment Co., Ltd.	British Virgin Islands	General investment	97,475	97,475	3,500,000	70.00	157,555	18,610	-	An indirect wholly-owned subsidiary
Shanghai Ho-Yu (BVI) Investment Co., Ltd.	Beijing Ho-Yu (BVI) Investment Co., Ltd.	"	"	33,420	33,420	1,200,000	40.00	-	-	-	Subsidiary's investee company accounted for using the equity method
Hozan Investment Co., Ltd.	Hotai Finance Co., Ltd.	Taiwan	Installment trading and leasing of various vehicles	62,003	62,003	233,782,831	45.39	9,931,465	2,233,430	-	An indirect wholly-owned subsidiary
Hozan Investment Co., Ltd.	Hotai Leasing Co., Ltd.	"	Leasing of vehicles	181,907	181,907	83,629,381	66.04	3,017,198	737,704	-	"
Hozan Investment Co., Ltd.	Hozao Enterprise Co., Ltd.	"	Installment trading of various vehicles	34,756	34,756	3,823,128	18.29	361,171	59,467	-	Subsidiary's investee company accounted for using the equity method
Hozan Investment Co., Ltd.	Taipei Toyota Motor Co., Ltd.	"	Sales of vehicles and parts and repairing of vehicles	77	77	2,000	-	116	350,669	-	"
Hozan Investment Co., Ltd.	Hotai Insurance Co., Ltd.	"	Property and casualty insurance services	6,831,887	6,831,887	19,960,531	99.80	8,817,031	713,428	-	An indirect wholly-owned subsidiary
Hozan Investment Co., Ltd.	Heng Yun Investment Co., Ltd.	"	General investment	298,864	298,864	20,470,156	40.00	320,846	89,212	-	Subsidiary's investee company accounted for using the equity method
Hozan Investment Co., Ltd.	Hotai Innovation Marketing Co., Ltd.	"	Retail and wholesale of collections	10,000	10,000	1,000,000	100.00	104,805	74,510	-	An indirect wholly-owned subsidiary
Hotai Finance Co., Ltd.	Hoyun International Limited	British Virgin Islands	General investment	1,125,140	1,125,140	40,400,000	50.50	2,165,784	575,513	-	"
Hotai Leasing Co., Ltd.	Hoyun International Limited	"	"	1,102,860	1,102,860	39,600,000	49.50	2,122,058	575,513	-	"
Hotai Finance Co., Ltd.	Hoing Mobility Service Co., Ltd.	Taiwan	Leasing of vehicles	310,000	310,000	31,000,000	50.82	260,909	(106,480)	-	"
Hotai Leasing Co., Ltd.	Hoing Mobility Service Co., Ltd.	"	"	-	300,000	-	-	-	(106,480)	-	"
Hotai Connected Co., Ltd.	Hoing Mobility Service Co., Ltd.	"	"	300,000	-	30,000,000	49.18	252,490	(106,480)	-	"
Hotai Connected Co., Ltd.	Hotai Mobility Service Co., Ltd.	"	Taxi dispatch service	180,000	180,000	18,000,000	41.10	155,740	(49,979)	-	"
Hotai Finance Co., Ltd.	Hotai Mobility Service Co., Ltd.	"	"	120,000	120,000	12,000,000	27.40	105,214	(49,979)	-	"
Hotai Mobility Service Co., Ltd.	ChyuanAn Transport Co.,Ltd	"	Taxi service	35,748	9,748	3,400,000	100.00	35,616	(146)	-	"
Hotai Mobility Service Co., Ltd.	YuCheng Transport Co.,Ltd	"	"	97,225	39,225	7,000,000	100.00	97,106	(184)	-	"
Ho Tai Development Co., Ltd.	Ichiban International Co., Ltd.	Samoa	General investment	83,550	83,550	3,000,000	100.00	107,324	87	-	"
Ho Tai Development Co., Ltd.	Ho Tai Service & Marketing Co., Ltd.	Taiwan	Repairing of air conditioning equipment and trading of their parts	100,000	100,000	27,190,239	100.00	768,894	81,926	-	"
Ho Tai Development Co., Ltd.	Kashiwabara Hotai Taiwan Co., Ltd.	"	Wholesale and retail of paints and coating	26,820	26,820	882,000	24.50	9,905	-	-	Subsidiary's investee company accounted for using the equity method
Ho Tai Development Co., Ltd.	Ho Tai Parts & Accessories Co., Ltd.	"	Trading of air conditioning equipment and their parts	50,000	50,000	5,000,000	100.00	85,852	19,454	-	An indirect wholly-owned subsidiary
Ho Tai Development Co., Ltd.	3A Express Co., Ltd.	"	Freight forwarders	51,000	51,000	5,100,000	51.00	88,935	50,054	-	"
3A Express Co., Ltd.	Long Hao Removal Transport Services Co., Ltd.	"	"	10,000	10,000	1,000,000	100.00	25,895	7,465	-	"
3A Express Co., Ltd.	Ho Tai Transportation Co., Ltd.	"	"	25,000	25,000	2,500,000	100.00	44,054	9,942	-	"
3A Express Co., Ltd.	Ho Tai Crane Engineering Co., Ltd.	"	"	4,000	4,000	400,000	100.00	21,234	9,580	-	"
3A Express Co., Ltd.	Long Ho Crane Engineering Co., Ltd.	"	Crane and hoist services engineering and transportation and storage	7,000	7,000	700,000	100.00	22,385	9,138	-	"
3A Express Co., Ltd.	Long Hao Crane Engineering Co., Ltd.	"	"	3,000	3,000	300,000	100.00	19,727	9,846	-	"
Ho Tai Service & Marketing Co., Ltd.	Kashiwabara Hotai Taiwan Co., Ltd.	"	Wholesale and retail of paints and coating	8,820	8,820	882,000	24.50	11,316	-	-	Subsidiary's investee company accounted for using the equity method

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at September 30, 2021			Net profit (loss)	Investment income (loss)	Footnote
				Balance at September 30, 2021	Balance as at December 31, 2020	Number of shares	Ownership (%)	Book value	of the investee for the nine months ended September 30, 2021	recognized by the Company for the nine months ended September 30, 2021	
Ichiban International Co., Ltd.	Air Master International Co., Ltd.	Samoa	General investment	83,550	83,550	3,000,000	100.00	106,687	87	-	An indirect wholly-owned subsidiary
Carmax Co., Ltd.	Smart Design Technology Co., Ltd.	Taiwan	Electronic parts and components manufacturing	33,242	33,242	2,968,016	61.77	107,709	57,594	-	Subsidiary
Carmax Co., Ltd.	AIM Technology Corp.	"	Trading of vehicle products/accessories	38,500	38,500	3,850,000	35.00	40,358	5,254	-	Subsidiary's investee company accounted for using the equity method
Eastern Motor Co., Ltd.	Doroman Autoparts Co., Ltd.	"	Wholesale and retail of vehicles parts and accessories	500	500	138,718	100.00	11,077	4,994	-	An indirect wholly-owned subsidiary
Eastern Motor Co., Ltd.	DALEON AUTO PARTS AND ACCESSORIES CORPORATION	"	"	500	500	50,000	100.00	737	237	-	"
CHANG YUAN MOTOR CO., LTD.	Hotai AutoBody Manufacturing Co., Ltd.	"	Car assembly business	200,000	-	20,000,000	20.00	199,227 (	3,867)	-	Subsidiaries
Hotai AutoBody Manufacturing Co., Ltd.	Hotai AutoBody Sales Co., Ltd.	"	Sales of vehicle bodies	40,000	-	4,000	100.00	40,000 (	915)	-	An indirect wholly-owned subsidiary

Ho Tai Motor Co., Ltd.
Information on investments in Mainland China-Basic information
Nine months ended September 30, 2021
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Table 10

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2021	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the nine months ended September 30, 2021		Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2021	Net income of investee for the nine months ended September 30, 2021	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the nine months ended September 30, 2021	Book value of investment in Mainland China as of September 30, 2021	Accumulated amount of investment income remitted back to Taiwan as of September 30, 2021	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Hotong Motor Investment Co., Ltd.	Operation decision making, capital using and financial management, information services, employee trainings and other services	3,566,053	Note 2	1,711,383	-	-	1,711,383	1,005,471	100.00	1,005,471	8,662,877	-	Note 2.3
Shanghai Hoyu Motor Service Co., Ltd.	Sales and repairing of vehicles	93,855	"	93,855	-	-	93,855	108,114	100.00	108,114	463,384	-	"
ChongQing Yuou Toyota Automobile Sales & Service Co., Ltd.	"	129,204	"	10,235	-	-	10,235	-	10.48	-	10,235	-	"
Beijing Hoyu Toyota Motor Sales & Service Co., Ltd.	"	83,550	"	27,850	-	-	27,850	-	40.00	-	-	-	"
Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	"	167,100	"	167,100	-	-	167,100	164,743	100.00	164,743	621,411	-	"
Shanghai Hozhan Motor Service Co., Ltd.	"	83,550	"	83,550	-	-	83,550	38,081	100.00	38,081	207,365	-	"
Tianjin Ho-Yu Motor Sales & Service Co., Ltd.	"	139,250	"	97,475	-	-	97,475	18,610	70.00	13,027	157,555	-	"
Shanghai Heling Motor Service Co., Ltd.	"	97,475	Note 3	73,106	-	-	73,106	364,771	100.00	364,771	1,147,010	-	"
ChongQing Yurun Toyota Automobile Service Co., Ltd.	"	129,204	Note 2	10,966	-	-	10,966	-	10.48	-	10,966	26,106	"
Shanghai Ho-Qian Logistics Equipment Trading Co., Ltd.	Sales of vehicles and parts for industry use	167,100	"	167,100	-	-	167,100	10,506	100.00	10,506	179,760	-	"
Zaozhuang Ho-Yu Toyota Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	380,153	"	259,005	-	-	259,005	21,571	100.00	21,571	250,180	-	"
Zaozhong Ho-Wan Motor Sales & Service Co., Ltd.	"	43,068	Note 3	-	-	-	-	1,998	100.00	1,998	46,993	-	"
Tangshan Heling Lexus Motor Sales & Service Co., Ltd.	"	161,530	Note 2	161,530	-	-	161,530	92,597	100.00	92,597	419,185	-	"
Nanchang Heling Lexus Motors Sales & Service Co., Ltd.	"	181,025	"	181,025	-	-	181,025	152,721	100.00	152,721	562,925	-	"
Hoyun International Lease Co., Ltd.	Leasing, wholesale, retail of and support service for vehicles	2,228,000	"	2,228,000	-	-	2,228,000	575,513	55.61	320,059	2,384,499	-	Note 2.1
Hoyun (Shanghai) Commercial Factoring Co., Ltd.	Factoring services	215,341	Note 3	-	-	-	(2,847)	55.61 (1,583)			133,549	-	Note 2.3
Hoyun (Shanghai) Vehicle Leasing Ltd.	Leasing of cars	430,681	Note 3	-	-	-	(4,210)	55.61 (2,341)			167,634	-	"
He Zhan Development Co., Ltd.	Trading of air conditioning equipment	83,550	Note 2	83,550	-	-	83,550	87	45.01	39	47,187	-	"
Tianjin Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	334,200	Note 3	-	-	-	-	115,660	100.00	115,660	596,769	-	"
Tianjin Hozhan Motor Service Co., Ltd.	"	295,446	"	-	-	-	-	17,441	100.00	17,441	304,513	-	"
Linyi Hoyu Toyota Motor Sales & Service Co., Ltd.	"	334,200	"	-	-	-	(1,408)	35.00 (493)			58,482	-	"
Carmax Autotech (Shanghai) Co., Ltd.	Trading of vehicle products/accessories	37,041	Note 1	37,041	-	-	37,041	40,203	51.00	20,504	149,715	-	"
Guangzhou Gac Changho Autotech Corporation	"	88,934	"	40,020	-	-	40,020	43,717	22.95	10,033	41,182	131,149	"
Linyi Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	278,500	Note 3	-	-	-	-	62,819	35.00	21,987	135,184	-	"

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2021	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the nine months ended September 30, 2021		Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2021	Net income of investee for the nine months ended September 30, 2021	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the nine months ended September 30, 2021	Book value of investment in Mainland China as of September 30, 2021	Accumulated amount of investment income remitted back to Taiwan as of September 30, 2021	Footnote	
					Remitted to Mainland China	Remitted back to Taiwan								
Taizhou Zhongdu Lexus Motor Sales & Service Co.,Ltd.	Sales and repairing of vehicles	417,750	Note 3	-	-	-	-	53,886	35.00	18,860	194,572	-	Note 2.3	
Beijing Heling Lexus Motor Sales & Service Co., Ltd.	"	334,200	"	-	-	-	-	60,418	35.00	21,146	187,533	-	"	
Jinzhong Central Toyota Motor Sales & Service Co., Ltd.	"	389,900	"	-	-	-	(	1,532)	35.00	(	536)	53,968	-	"
Shanghai Hede Used Vehicle Co., Ltd.	Trading of used vehicles	18,089	"	-	-	-	(	36,257)	71.43	(	25,898)	163	-	"
Shanghai Guangxin Cultural Media Co., Ltd.	Design and production of advertisements	4,307	"	-	-	-	-	606	100.00		606	10,397	-	"
Shanghai Yangpu Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	460,400	"	-	-	-	-	119,181	100.00		116,096	656,230	-	"
Shanghai Ho-Mian Motor Technology Co., Ltd.	Trading of vehicle products/accessories and property management	990,564	"	-	-	-	(	1,663)	100.00	(	1,663)	968,821	-	"
Shanghai Hoxin Motor Service Consulting Co.,Ltd.	Consulting service and property management	12,920	"	-	-	-	-	1,001	100.00		1,001	10,835	-	"
Tianjin Heyi International Trading Co., Ltd.	Sales of imported vehicles	86,136	"	-	-	-	-	8,993	100.00		8,993	105,197	-	"
Chongqing Taikang Heling Lexus Motor Sales & Service Co.,Ltd.	Sales and repairing of vehicles	43,068	"	-	-	-	(	29,017)	50.00	(	14,509)	2,591	-	"
Shanghai HoChen Motor Technology Co., Ltd.	Trading of vehicle products/accessories and property management	278,500	"	-	-	-	(	5,524)	100.00	(	5,524)	291,524	-	"
Shanghai Jiading Heling Lexus Motor Service Co., Ltd.	Sales and repairing of vehicles	292,425	"	-	-	-	(	7,485)	100.00	(	7,485)	294,201	-	"
Tianjin Binhai Heling New Area LEXUS Motor Service Co.,Ltd.	Sales and repairing of vehicles	129,204	"	-	-	-	-	4,149	35.00		1,452	40,187	-	"
Tianjin Yongda Communication Technology Co., LTD.	Trading of vehicle products / accessories and property management	253,154	"	-	-	-	(	1,127)	35.00	(	394)	174,255	-	"
Nanjing HoZhan Motor Sales and Service Co.,LTD.	Sales and repairing of vehicles	129,204	"	-	-	-	(	7,991)	70.00	(	5,594)	89,702	-	"
Shanxi Taiyuan Zhongdu Heling LEXUS Motor Sales & Service Co.,	"	119,755	"	-	-	-	(	9,446)	35.00	(	3,306)	41,624	-	"
Shanghai Zhongxin Means of Transportation Engineering Co.,Ltd.	Property management	21,534	"	-	-	-	-	3,422	100.00	(	6,418)	475,165	-	"
Shanghai Fengyi Construction Decoration Co.,Ltd.	"	241,181	"	-	-	-	-	15,858	70.00		3,831	636,904	-	"

Note 1: The investmets are classified as follows:

- (1) Direct investment in Mainland China.
- (2) Investment in Mainland China companies through a company invested and established in a third region.
- (3) Others.

Note 2:The amount of investment income (loss) recognized for the nine months ended September 30, 2021 is based on:

- (1) The financial statements were reviewed by R.O.C parent company's CPA.
- (2) The financial statements were reviewed by other independent auditors in PricewaterhouseCoopers, Taiwan.
- (3) Others - the self-prepared financial statements that were not reviewed by independent auditors.

Note 3: Related amounts in the following table are expressed in NT\$.

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of September 30 2021	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
Ho Tai Motor Co., Ltd.	\$ 2,891,523	\$ 5,625,382	\$ 53,551.203

Ho Tai Motor Co., Ltd.
Major shareholders information
Nine months ended September 30, 2021

Table 11

Name of major shareholders	Shares	
	Number of shares held	Ownership (%)
Ho Yu Investment Co., Ltd.	48,267,625	8.83%
Toyota Motor Corporation	44,406,112	8.13%
Li Gang Enterprise Co., Ltd.	40,569,353	7.42%
Jin Yuan Shan Investment Co., Ltd.	36,071,520	6.60%